



Government of
Saskatchewan

2006-2007 Annual Report

Saskatchewan
Industry and
Resources

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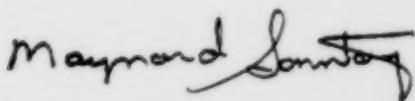
Letters of Transmittal



The Honourable Gordon L. Barnhart
Lieutenant Governor
Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of Saskatchewan Industry and Resources for the fiscal year ending March 31, 2007.

A handwritten signature in cursive script that reads "Maynard Sonntag".

Maynard Sonntag
Minister of Industry and Resources



The Honourable Maynard Sonntag
Minister of Industry and Resources

Dear Sir:

I have the honour of submitting the Annual Report of Saskatchewan Industry and Resources for the fiscal year ending March 31, 2007.

Respectfully,

A handwritten signature in cursive script that reads "Glen Veikle".

Glen Veikle
Acting Deputy Minister
Industry and Resources

Introduction

The 2006-07 annual report of Saskatchewan Industry and Resources provides 2006-07 department performance plan results and publishes the department's performance on key government actions for 2006-07. The department published its performance plan for 2006-07 in its 2005-06 annual report (online at www.ir.gov.sk.ca). Key actions were also identified in the Performance Plan Summary, the government-wide plan released with the 2006-07 provincial budget, available through Saskatchewan Finance at www.gov.sk.ca/finance (click on the Publications icon).

Improvements to the annual report document and results reporting are tied to the continued implementation of government's accountability framework. Reporting actual year-end results – both financial and performance – as compared to the plan released earlier in the year increases accountability to the public. The Industry and Resources 2007-08 performance plan has been released with budget documents found on the Saskatchewan Finance website. Future annual reports will provide results reporting against the performance measures and actions included in the performance plan.

The Saskatchewan Action Plan for the Economy was released in September 2005. The plan sets out a framework to address the challenges and take advantage of the province's opportunities. A progress report on the Saskatchewan Action Plan for the Economy is attached in the appendices as part of the government's reporting commitment.

Who We Are

Saskatchewan Industry and Resources is the government's business department, charged with stimulating entrepreneurial and business investment and spurring development of the province's resource sector.

The department's mandate is: "To achieve full and responsible development of Saskatchewan's energy, mineral, and forestry resources; to work with businesses and to expand the Saskatchewan economy by promoting, co-ordinating and implementing policies, strategies and programs that encourage sustainable economic growth and to optimize revenues to fund government programs and services." The department's vision is of "an innovative, prosperous and sustainable economy supported by full participation and responsible energy and mineral development."

As the business department of government, Industry and Resources has a broad range of responsibilities that were managed in five major areas within the department in 2006-07.

Industry, Business and Sector Development

- Industry and business development functions support business growth and retention through investment attraction, efforts to increase competitiveness, and the removal of regulatory and other impediments. Strategic initiatives are pursued in high priority projects such as the Canadian Light Source Synchrotron, forest product development, support to the Saskatchewan Forest Centre, and ethanol and agri-value initiatives.

Investment Programs

- Investment programs are managed and maintained through the Canada-Saskatchewan Western Economic Partnership Agreement (WEPA), Petroleum Research Initiative, Strategic Investment Fund, Technology Commercialization Fund, Mineral Exploration Incentives, Energy Sector Initiatives, and the Invest in Saskatchewan Program (formerly the Labour-sponsored Venture Capital Corporation Program).

Marketing and Promotion

- Marketing develops and implements marketing strategies to promote Saskatchewan as a good place in which to do business and invest. The branch promotes doing business in Saskatchewan to key markets inside the province and internationally.

Resource and Economic Policy

- Resource and economic policy monitors economic and market trends, policies, legislation and impacts on industry performance, and provides analysis and recommendations on issues such as royalty/tax systems and climate change.

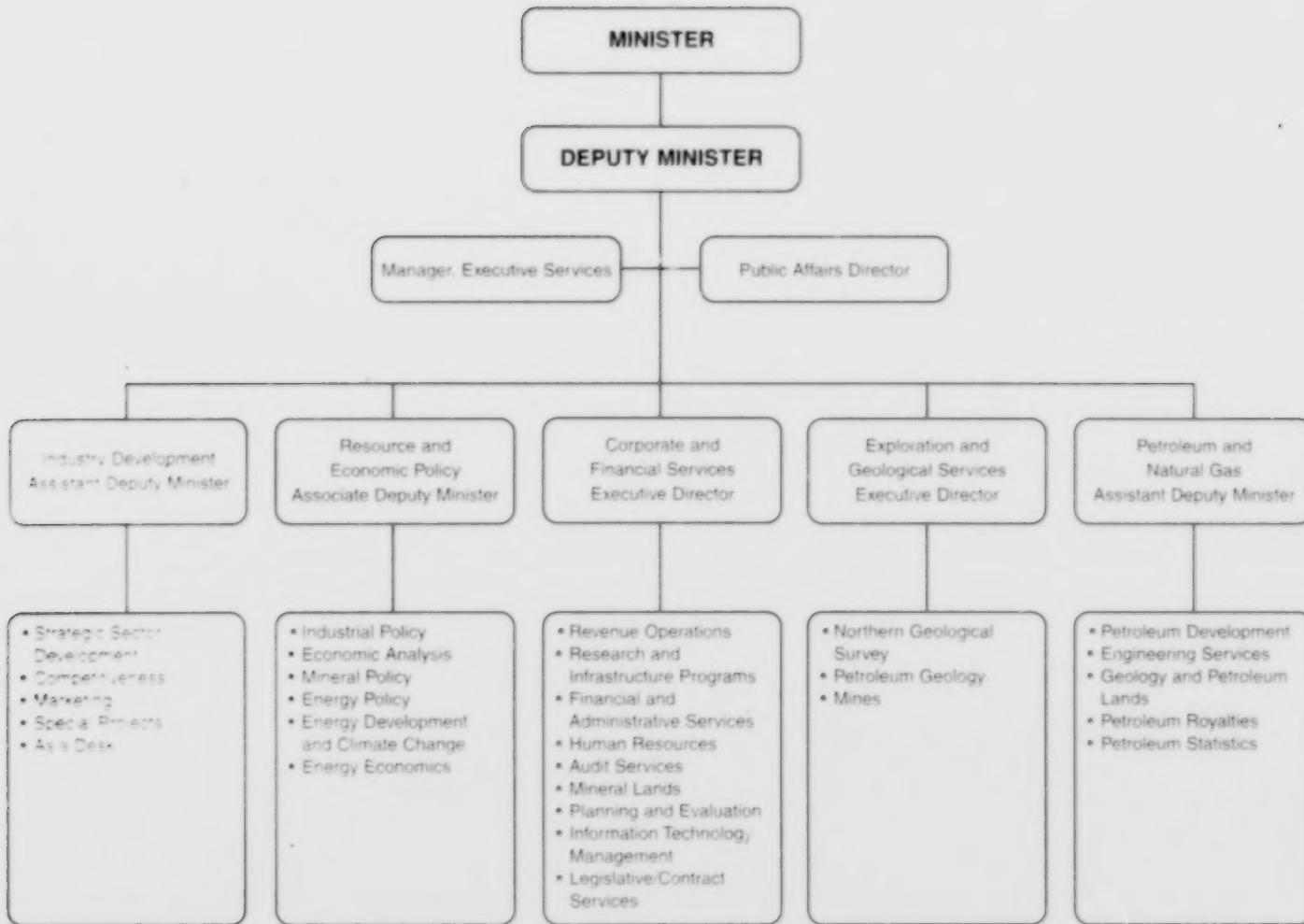
Natural Resource Management and Development

- Energy planning and development encourage the responsible development, use, and conservation of energy resources.
- Resource management, including the administration of Crown mineral rights, stimulates the optimal development of oil, gas and mineral resources.
- Resource regulation and revenue collection see to the timely and full collection of revenues to the province and ensure activities meet sound environmental and regulatory obligations.

Industry and Resources also provides transfer payments through its budget to Tourism Saskatchewan and the Saskatchewan Trade and Export Partnership (STEP) for their annual operations. The department provides support to the Petroleum Technology Research Centre, the International Test Centre for Carbon Dioxide Capture, and the Prairie Adaptation Research Collaborative at Innovation Place – Regina.

The department had 316 full-time equivalent positions, located in Regina and Saskatoon as well as at two regional industry development offices and six regional resource development offices.

Internal Organization as of March 31, 2007



2006-07 Results at a Glance

Summary of Performance Results

The 2006-07 performance results section describes the department's achievements to foster a positive environment for business, ensure optimal development of energy and mineral resources, and promote the responsible use and delivery of energy in Saskatchewan.

Goal 1 – Growth in those sectors that have the greatest potential for future prosperity – energy, minerals, forest products, agri-value, manufacturing, and advanced technology – recognizing emerging sectors with future growth potential

In 2006-07, Saskatchewan enjoyed positive economic indicators. Employment, oil production, farm cash receipts, urban housing starts, international exports, retail sales, building permit values and average weekly earnings were all up. Commodity prices were strongly up for all non-renewable resource commodities, and oil and gas revenues to the Crown contributed greatly to the General Revenue Fund. Confidence in the Saskatchewan economy was evidenced by unprecedented investment in non-renewable resource exploration (particularly for oil sands, uranium and diamonds).

Manufacturing remained strong in the face of a higher Canadian dollar but agriculture was hampered again by poor harvest weather and agricultural processing was set back by the decision of Maple Leaf Foods not to expand, but close, its slaughter facilities in Saskatoon. The forestry sector weakened as a result of the softwood lumber dispute with the United States and the closure of the Weyerhaeuser pulp and paper plant in Prince Albert.

Collaborative efforts with business and learning institutions brought new, young Aboriginal workers into the economy.

Goal 2 – Optimal long term benefit from the development of the province's non-renewable resources

The government continued efforts to simplify tax and royalty regimes for non-renewable resources, including improvements to permit the petroleum industry to submit well logs electronically. Testing also began of electronic map staking of northern geological lands.

More geological information was available in ready-to-use format for the industry and the department continued to support the overall objective of using simple, fair, competitive taxation as one means of improving Saskatchewan's climate for growth.

In 2006-07, Industry and Resources continued work with Saskatchewan Environment and other departments, agencies and Crown corporations to develop an energy policy and a provincial climate change plan.

Goal 3 – A positive, competitive and innovative environment in which to invest and do business

The efforts of the department's Asia-Pacific Desk attracted Chinese investment in mineral development. Minister-led missions to the region in 2006-07 were productive, with the promise of new long-term relationships for further commerce.

Industry and Resources launched Innovative by Nature, a multimedia campaign targeting out-of-province business leaders who make investment decisions. In addition to hosting key events promoting Saskatchewan, department staff ensured Canadian embassies and consulates across the globe remained current on investment opportunities in this province.

A number of businesses underwent expansions and added jobs across the province in 2006-07. Business start-ups were aided by department efforts to introduce an interactive one-stop website for permits and licenses (BizPaL). The website and other efforts to streamline and improve the province's competitiveness paid off in increasing investment in the economy.

Summary of Financial Results

In the 2006-07 fiscal year, Saskatchewan Industry and Resources' \$91.5 million budget was under-expended by \$23.6 million. Explanations of major variances of above \$500,000 are as follows:

- The Ethanol Fuel Grant program was under-expended by \$11.6 million due to production delays at two newly constructed ethanol plants in the province. Ethanol production at the Husky plant in Lloydminster and the Noramerica plant in Weyburn was less than anticipated due to production delays.
- Savings of \$17.4 million on the budget were realized when Maple Leaf Foods terminated the \$15.5 million agreement to expand its Saskatoon hog processing facility. Another \$1.9 million was saved as a result of delays in projects funded under the Western Economic Partnership Agreement.
- The Strategic Investment Fund program received approval to fund several larger initiatives, such as: \$2.2 million towards the Regina-based Technology Innovation Centre (now known as SpringBoard West Innovations Inc.) that provides services to increase commercialization within the province; \$2.1 million to the Transportation Partnership Fund to assist a new investment in the province; \$1.9 million to the Entrepreneurial Foundation of Saskatchewan for entrepreneurial support to its clients; and \$616,000 to support the Saskatchewan Research Council Hydrogen Highway project.

In 2006-07, Industry and Resources budgeted for 330.9 full-time equivalents (FTEs) for staffing.

2006-07 Performance Results

The 2006-07 report is the fourth occasion for Saskatchewan Industry and Resources to release its public performance plan results.

These results report the department's annual responsibilities and are used to assess progress made towards goals and objectives that ensure the department fulfills its mandate. Annual report information is also used to inform/adjust future plans and actions.

The key actions originally presented in our 2006-07 plan are listed below, followed by a report on actual progress for each. Actual results information is included for all key actions and performance measures that were published in our 2006-07 Performance Plan, as well as for all commitments related to Industry and Resources in the government-wide 2006-07 Performance Plan Summary.

Further information and explanation about the performance measures are available in the 2006-07 Performance Plan at www.ir.gov.sk.ca.

Goal 1 – Growth in those sectors that have the greatest potential for future prosperity – energy, minerals, forest products, agri-value, manufacturing, and advanced technology – recognizing emerging sectors with future growth potential

Goal 1, Objective 1 Strengthen and increase industries active in key sectors

Economic activity in Saskatchewan's priority sectors is driven largely by the demand for the goods and services exported from the province. While a wide variety of variables affect the consumer decisions to purchase Saskatchewan-made products and services, the province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place in which to invest.

Goal 1, Objective 1 Key Results

Action

Develop strategies to grow key sectors of the provincial economy. [2006-07 planned result]

Result

The department continues to develop and implement short-term and long-term strategies to pursue opportunities in the province's key economic sectors. During the 2006-07 fiscal year, the department:

- revised and updated its mineral strategy and, for marketing purposes, its mineral fact sheets and commodity information sheet;
- benchmarked Saskatchewan's manufacturing competitiveness against select North American jurisdictions. Results found that within Canada, Saskatchewan does reasonably well with respect to growth in manufacturing production and exports and unit labour costs – it lags behind in areas such as manufacturing productivity, investment in research and development (R&D), and innovation;
- continued to develop a Saskatchewan Framework for an Innovation Economy. The department participated in both western and national cross-jurisdictional discussions on co-operative strategies to support innovation;
- assisted in the completion of Phase 1 of the Saskatchewan Nanotechnology Strategy – Phase I identified impact and issues related to nanotechnology for the Saskatchewan economy; and
- began work on a strategy to promote Saskatchewan companies in value-added manufacturing, processing, and service sectors into Alberta's oil sands as a growing market opportunity – the strategy is expected to be completed in the 2007-08 financial year.

Action

Identify regulatory impediments and reduce government regulation. [2006-07 planned result]

Result

A draft report was completed identifying progress for all departments in reviewing their existing regulations over the last 10 years, as well as regulatory and service improvements made over the last year. An interdepartmental business relations committee has been formed and departments have submitted work plans identifying planned regulatory and service improvements.

Action

Work with the industry to establish a regulatory basis that encourages exploration for natural gas from coal in a sound environmental framework. [2006-07 planned result]

Result

A committee comprising representatives from the department and other agencies in Saskatchewan recommended that the following actions be pursued.

- Complete a one-page public document on natural gas in coal (NGC) for dissemination to rural municipal offices in areas with NGC development potential.
- Update and refine NGC information on the department's website www.ir.gov.sk.ca/ngc.
- Develop the geological characterization of potential NGC reservoirs, and convey this information to the exploration and development companies in an efficient and timely manner. Specifically, support the University of Regina in its research on the Mannville coals.

This action will continue to be pursued during the 2007-08 fiscal year.

Action

Further improve the regulatory environment for mining by working with the industry to streamline regulatory processes. [2006-07 planned result]

Result

The province continues to identify and address areas of regulatory concern. Industry and Resources continues to lead an initiative, in partnership with other provincial departments, provincial governments and the federal government, to identify specific, practical and workable short-term recommendations for dealing with key regulatory issues impacting the minerals sector. A window of opportunity was opened following the August 2006 Mines Ministers' Conference in which federal, provincial and territorial ministers tasked their intergovernmental working group with addressing the "regulatory efficiency" issue as one of two priorities over the next year. The project is dedicated to the creation of an improved regulatory framework that is consistent, timely, predictable, early-staged and effective in protecting the environment, and co-ordinated with all levels of government.

Goal 1, Objective 1 **Measurement Results**

Performance Measure

Real Gross Domestic Product per worker
in key sectors

Trend Information

Real GDP per worker (1997 Chained dollars)

Sector	2002	2003	2004	2005	2006
Forestry	\$ 186,700	\$ 141,077	\$ 166,250	\$ 238,875	\$ 160,500
Manufacturing	\$ 69,975	\$ 72,661	\$ 73,358	\$ 75,756	\$ 81,113
Oil and Gas Extraction**	\$1,026,095	\$930,542	\$757,207	\$722,800	\$584,289
Minerals**	\$ 244,213	***	\$ 289,459	\$ 264,791	\$ 204,222
Information and Culture Industries	\$ 96,485	\$ 85,161	\$ 86,924	\$ 87,650	\$ 91,410
Tourism*	\$ 21,860	\$ 20,234	\$ 20,221	\$ 22,383	\$ 23,274

*** Data suppressed by Statistics Canada to meet confidentiality requirements of Statistics Act.

** Excludes support activities for mining and oil and gas extraction.

* Here, and elsewhere, tourism is not identified as a "key sector." It is measured as an industry of interest to the department.

Goal 1, Objective 2

Encourage and facilitate growth in businesses that provide goods, supplies or services to key sectors or that use outputs from key sectors for value-added manufacturing or processing

The department helps to stimulate business growth by providing information and by working in partnership with public and private sectors to deliver a comprehensive and accessible business support system.

Goal 1, Objective 2 **Key Results**

Action

Review programs and services to achieve optimal results and alignment with key sectors. [2006-07 planned result]

Result

Department officials responsible for key sectors have identified opportunities, and developed specific investment attraction strategies and initiatives to promote growth. Individuals and sector teams are encouraged to identify reasonable and necessary activities and monitor results in accordance with fundamental components of strategic sector development

investment attraction, business retention, expansion, strategic cluster-building, internal advocacy and policy reform. Opportunities undertaken in 2006-07 were:

- joint department and Industry Canada development of the Information, Communication and Technology (ICT) sector; and
- participation in the independent program evaluation of the Saskatchewan Forest Centre (SFC) and the completion of the report outlining program success and recommendations for renewal of the SFC.

Action

Explore the potential for additional heavy oil upgrading capacity to add value to the province's heavy oil resources. [2006-07 planned result]

Result

Industry and Resources and the Crown Investments Corporation (CIC) continue to pursue options to establish additional upgrading capacity in Saskatchewan. The department has had discussions with Husky Energy Inc. to assist in advancing the expansion of its heavy oil upgrader in Lloydminster from approximately 80,000 barrels per day to approximately 150,000 barrels per day.

Action

Work with industry partners to encourage the production of ethanol from grain, straw and wood waste. [2006-07 planned result]

Result

The department continues to advance Saskatchewan as the first Canadian jurisdiction to mandate ethanol fuel use. The objective of having an average of 7.5 per cent ethanol content

in the province's unleaded automotive gasoline was achieved in 2007. The ethanol used in Saskatchewan is produced by Saskatchewan companies who have a combined annual production capacity of 168 million litres.

Action

Evaluate value-added opportunities associated with uranium. [2006-07 planned result]

Result

The department initiated discussions with industry to discuss value-added uranium opportunities in refining and processing. Department officials continue to identify and address concerns that industry views as requirements for, and impediments to, investment in this sector.

Action

Implement a strategy to attract new and expanded meat processing and manufacturing facilities to the province. [2006-07 planned result]

Result

Maple Leaf Foods (MLF) announced on October 12, 2006, that a decision was reached to not construct a new slaughter facility and to wind down operations at the existing facility in Saskatoon. In March 2007, MLF announced that it would construct a distribution centre for its products in Saskatoon. It is expected to cost \$35 million to \$40 million.

The lead for agri-value primary processing development (which includes this activity) is with Saskatchewan Agriculture and Food.

Goal 1, Objective 2

Measurement Result

Performance Measure

Real Gross Domestic Product by key sector

Trend Information

Real GDP (Millions of 1997 Chained dollars)

Sector	2002	2003	2004	2005	2006
Forestry	\$ 186.70	\$ 183.40	\$ 199.50	\$ 191.10	\$ 128.40
Manufacturing	\$1,980.30	\$1,969.10	\$2,112.70	\$2,295.40	\$2,376.60
Oil and Gas Extraction**	\$2,154.80	\$2,233.30	\$2,195.90	\$2,168.40	\$2,220.30
Minerals**	\$1,489.70	***	\$1,765.70	\$1,906.50	\$1,286.60
Information and Culture Industries	\$ 993.80	\$ 1,004.90	\$ 1,025.70	\$ 1,051.80	\$ 1,069.50
Tourism*	\$ 856.90	\$ 829.60	\$ 843.20	\$ 848.30	\$ 900.70

*** Data suppressed by Statistics Canada to meet confidentiality requirements of Statistics Act.

** Excludes support activities for mining and oil and gas extraction.

* Here, and elsewhere, tourism is not identified as a "key sector." It is measured as an industry of interest to the department.

Goal 1, Objective 3

Promote the importance of inter-industry collaboration within the province

Saskatchewan's priority sectors benefit from businesses supplying goods and services within the province and collaborating, wherever possible, to learn new approaches and to attract new suppliers or consumers of Saskatchewan-made products. The province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place to invest.

The department is working to develop meaningful measures that report its influence on priorities beyond its program expenditures. Viewed broadly, macro-economic measures by sector may be informative but are not always indicative of the department's specific involvement with a particular sector, industry or firm.

Goal 1, Objective 3

Key Results

Action

Develop critical mass of business alliances and networks. [2006-07 planned result]

Result

Industry and Resources paid \$25,000 to the University of Saskatchewan and the Saskatchewan Research Council for the Saskatchewan Mining Needs Assessment study.

Staff worked with the Canadian Manufacturers and Exporters (CME) to develop a concept and proposal for a \$654,000 Advanced Manufacturing Centre in Saskatchewan.

The department worked with the Saskatoon District Industry Education Council and participated in presentations given to 85 school counselors and educators from across the province to profile the manufacturing sector as a vibrant industry. The department held the first ever roundtable between First Nations leaders and education institutes (e.g., Saskatchewan Indian Institute of Technology) and the manufacturing sector. This forum led to eight Aboriginal welders graduating from Mount Royal Collegiate High School in February 2007. To date, six of the eight students have been employed as welders.

Industry and Resources also continued to participate in the Wellness West Partner Organizations initiative. This initiative was created three years ago with the western provinces and federal government to develop a commercialization roadmap and create a "technology watch dog" newsletter to assist the growth and development of the western nutraceutical, functional food and natural health product industry.

Action

Promote partnerships and communication with and within sectors. [2006-07 planned result]

Result

Industry and Resources started the development of the Innovation Scorecard for Saskatchewan. The Innovation Scorecard was facilitated through an interactive workshop process involving representatives from several stakeholders who will develop a consensus of what should be included in the document. This project will be a useful resource for the development of the provincial innovation framework and strategy. The Saskatchewan Innovation Scorecard final report is expected to be completed and released in the fall of 2007.

The department organized a tour of the major oil sands companies in Fort McMurray to discuss potential supplier relations with Saskatchewan firms. Staff worked with the CME and STEP to hold two days of seminars in January and March of 2007, where over 150 manufacturers gathered to hear about opportunities in Alberta's oil sands and meet key procurement personnel.

Industry and Resources partnered with the Saskatchewan Environmental Industry and Managers Association (SEIMA) to develop a strategy that will increase the number of Aboriginal youth and businesses entering the environmental industries sector.

Action

Create new partnerships with business and industry to streamline and simplify business regulations and support economic growth while protecting the environment. [2006-07 planned result]

Result

An advanced technology sector working group indicated that a change in government procurement policy to grant intellectual property rights to information technology contractors would contribute to sector growth. Industry and Resources worked with the Information Technology Office and Saskatchewan Property Management to put in place an enabling policy for intellectual property rights.

Goal 1, Objective 3 Measurement Result

Performance Measure

Under development

Goal 1, Objective 4 Dynamic and flexible sectoral focus

The department recognizes that the performance measure for this objective is the spending of matched dollars influenced by factors beyond the department's control. A measure based on the processes by which the department ensures appropriate administration of these funds may be possible.

Goal 1, Objective 4

Key Results

Action

Assign resources to stimulate growth in emerging sectors. [2006-07 planned result]

Result

The department and Saskatchewan Environment developed the Green Technology Commercialization fund, an innovation strategy/framework to continue growth of the province.

Industry and Resources has also worked with the Canadian Light Source (CLS) and industry associations like Saskatchewan Laboratory for Micro and Nano Devices (Sylmand). Support was provided to the Saskatchewan Interactive Media Association in promoting and training related to the electronic gaming sector within the province.

Action

Focus research, infrastructure development and third-party agency funding to support sector development. [2006-07 planned result]

Result

Projects identified in 2006-07 included the Technology Innovation Centre connected with the University of Regina. Work continued on the University of Saskatchewan's Intervac Level 3 research facility which will strengthen Saskatchewan's vaccine and bio-medical research infrastructure.

Leveraged funding programs included: Technology Commercialization, the Strategic Investment Fund and the Energy Sector Initiatives (including the Petroleum Technology Research Centre (PTRC)). The department has completed two new agreements for the PTRC's involvement in Phase II of the International Energy Agency Greenhouse Gas Weyburn-Midale Carbon Dioxide Monitoring and Storage Project through the Strategic Investment Fund.

Action

Pursue key sectors in the Western Economic Partnership Agreement (WEPA). [2006-07 planned result]

Result

As of March 31, 2007, WEPA has committed approximately \$28 million to 28 initiatives in the key economic sectors, including providing \$1.4 million to the Meadow Lake Tribal Council for an oil and gas secretariat and \$950,000 towards an ethanol biomass project in Nipawin.

Action

Continue support for the Saskatchewan Trade and Export Partnership to assist exporters in reaching new markets, including short-term financing. [2006-07 planned result]

Result

Third party operating funding of \$2.881 million annually is provided to the Saskatchewan Trade and Export Partnership (STEP) by the department until the October 31, 2009 expiration of the current funding agreement.

STEP continues to effectively provide trade development services to its members and clients to enhance the trade and export of goods, services and technology from Saskatchewan. STEP assisted 206 members in establishing business relationships in new markets. It also helped 283 members to establish new business relationships in existing markets.

Action

Continue support for Tourism Saskatchewan to strengthen marketing and development initiatives to generate more visitor spending in the province. [2006-07 planned result]

Result

Third-party operating funding of \$7.892 million annually is provided to Tourism Saskatchewan by Industry and Resources until the September 30, 2007 expiration of the current funding agreement. The department is in the process of negotiating a new four-year funding agreement.

Tourism Saskatchewan provided visitor information services and trained 3,011 participants in various programs, such as: Serve Best, Serve it Right, Apprenticeship, Ready to Work, Train the Workplace Trainer, Community Champions, High School Standards Use, and RVC Training.

Other activities undertaken included Career Awareness Initiatives – classroom presentations, career fairs, and job fairs – and also assisting communities with Tourism Destination Area Planning and Public Awareness – Importance of the Industry.

Goal 1, Objective 4 Measurement Result

Performance Measure

Investment from the Western Economic Partnership Agreement in key sectors

Trend Information

\$47 million (cumulative)
[September 2003 - March 2007]

Discussion

This measure is influenced by resource decisions at the provincial and federal levels. The Canada-Saskatchewan Western Economic Partnership Agreement (WEPA) is a five-year, \$50-million agreement designed to encourage economic development and growth in the Saskatchewan economy. Renewed in September 2003, this agreement is administered by Western Economic Diversification Canada and Industry and Resources.

Goal 2 – Optimal long term benefit from the development of the province's non-renewable resources

Goal 2, Objective 1

Commit the department to responsible, effective management of resources and to ensure prudent gathering of revenues for the province

Increasing the amount of exploration will lead to optimal development of the province's resources. However, some of the factors that affect exploration activity (commodity prices, interest rates and exchange rates) are beyond the department's influence. The department can influence exploration by providing geo-scientific information on energy and mineral resources and by providing a competitive investment climate.

Goal 2, Objective 1 Key Results

Action

Improve access to information to assist industry in achieving growth. [2006-07 planned result]

Result

The department completed consultation with the petroleum industry and submitted regulation changes to the *Oil and Gas Conservation Regulations (1985)*. These legislative changes are expected to be approved in early 2007-08.

Working with the Information Technology Office, the department is close to completing a system enabling industry to submit logs digitally and more efficiently. Petroleum industry data providers continue to scan all hardcopy information currently archived in well files to make results readily available.

The department completed and consulted on a white paper on map staking. The industry was asked if it supported the conversion of the current system of ground staking in northern Saskatchewan to a web-enabled map staking system. Most sectors of the industry supported the conversion. Staff ran a test of the system in conjunction with Information Services Corporation (ISC) to refine how the web-based system will be implemented.

Action

Increase the amount of geoscience information available for companies to use to explore new areas in the province. [2006-07 planned result]

Result

The department was involved in planning and preparation throughout the year for its participation in Phase II of the International Energy Agency Greenhouse Gas Weyburn-Midale Carbon Dioxide Monitoring and Storage Project in southern Saskatchewan.

The joint NRCan-Saskatchewan-Manitoba study of the Canadian portion of the Williston Basin approaches completion. Focused studies continued of structural lineaments in the Western Canada Sedimentary Basin (a joint Alberta-Saskatchewan-Manitoba project), of the hydrocarbon potential of the Bakken Formation, and of unconventional gas. Another issue of Prospect Saskatchewan was published.

Industry and Resources completed three geological mapping programs and an airborne geophysical survey in northern Saskatchewan. New maps, reports and digital databases were published and are now available online at the department website.

The government is undertaking a multifaceted minerals-related geoscience program that involves various partnered initiatives with the federal government and universities to maximize the technical expertise and operational dollars available to build and support a modern geoscience database. This geoscience information is helping focus record levels of mineral exploration.

Action

Develop policies and processes to facilitate the development of a diamond mine should exploration activity proceed to that stage. [2006-07 planned result]

Result

Diamond exploration continued at a healthy pace, with about \$75 million in exploration expenditures in 2006. Industry and Resources established a diamond steering committee that, through the work and research of six subcommittees, is beginning to identify areas where policy can be formulated to facilitate diamond development and provide maximum benefits to the province.

Action

Stimulate further uranium exploration and development by working with the industry and pressing the federal government to address regulatory burdens and duplication. [2006-07 planned result]

Result

With uranium exploration expenditures at record levels of over \$100 million in 2006, Industry and Resources directed increased attention towards facilitation of those activities. The department continues to administer the exploration and prospector incentive programs and actively participates with provincial departments and industry on the Saskatchewan Mineral Exploration Government Advisory Group (SMEGAC) in the development of standard mineral exploration guidelines for provincial activities.

Goal 2, Objective 1 **Measurement Result**

Performance Measure

Percentage of the oil and gas industry's annual revenues paid to the Crown as royalties

Trend Information

Year	2002	2003	2004	2005	2006
Per Cent	21%	25%	21%	22%	23%*

* Estimate

Discussion

Saskatchewan's royalty/tax systems are intended to capture a fair share of the revenue from resource development, while encouraging continued investment by ensuring a fair return to producers who extract Crown resources.

Performance Measure

Saskatchewan production of non-fuel minerals

Trend Information

Year	2002	2003	2004	2005	2006
\$Millions	\$2,569	\$2,433	\$3,014	\$3,614	\$3,152*

* Estimate

Discussion

The measure indicates the health of Saskatchewan's producing mines. The department can influence mineral production through the tax system and general business climate.

Goal 2, Objective 2 **Examine policies, legislation and regulations for optimal development of non-renewable resources while sustaining the province's long-term interests**

The department can influence the amount of oil and gas recovered primarily by reviewing the royalty and tax structures to ensure they are competitive and by providing information and promoting new technologies. Other factors, such as prices and specific geological conditions within a reservoir, are beyond the control of the department.

Goal 2, Objective 2 **Key Results**

Action

Develop comprehensive audit plans, financial risk areas, and allocation of audit resources. [2006-07 planned result]

Result

Industry and Resources has developed a comprehensive audit plan that ensures adequate audit coverage for all of the revenues due to the government by:

- analyzing the various non-renewable resource revenue streams that flow to the government and identifying the potential risks to the accurate determination of those revenues;
- determining the appropriate level of audit resources and their allocation to specific revenue streams based on the evaluation of risk and materiality;
- achieving standardization by outlining the audit approach and procedures to be followed by all audit staff;
- providing guidelines for constructing audit programs and procedures that provide the degree of assurance of accuracy being sought; and
- allocating audit resources to the potential risk areas.

Action

Review financial control processes and procedures with regard to new accounting standards and available technologies. [2006-07 planned result]

Result

Industry and Resources continues to annually review financial control process and procedures of existing and new operating and funding programs to ensure that there are adequate controls in place in regard to new accounting standards and available technologies.

Action

Conduct an audit of our current mineral-related legislation and propose a method to bring it up to date. [2006-07 planned result]

Result

The department continues to audit current mineral regulated legislation and maintains a presence in the resource industry to encourage voluntary compliance. It also conducts office and field audit verification.

Goal 2, Objective 2 Measurement Result

Performance Measure

Uncollectible revenues as a percentage of total revenues assessed

Trend Information

Using 1999-2000 as a base year, the following measures have been determined.

Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Per Cent	0.05%	0.03%	0.03%	0.02%	0.01%	0.00%	0.01%

Discussion

This measure reflects the department's ability to ensure all revenues owed to the province are collected.

Goal 2, Objective 3

Support and maintenance of a green and prosperous economy

The department partners with officials from Crown Investments Corporation (CIC) and Saskatchewan Environment to develop and implement an energy policy that lays out our strategy to deal with climate change, leading to a green and prosperous economy. Until the foregoing is more defined, a performance measure relative to climate change remains under development.

Goal 2, Objective 3 Key Results

Action

Develop a comprehensive long-term provincial climate change plan. [2006-07 planned result]

Result

A comprehensive draft of a combination sustainable energy strategy and climate change plan was approved by Cabinet in November 2006. Stakeholder consultations followed in January 2007.

Action

Develop and co-ordinate energy technology and climate change policies. [2006-07 planned result]

Result

Industry and Resources developed new energy technology and climate change policies and included them in the draft of the combination sustainable energy strategy and climate change plan which was approved by Cabinet in November 2006.

Action

Design and deliver funding programs for the energy sector related to climate change, energy conservation, alternative energy and energy development initiatives. [2006-07 planned result]

Result

Industry and Resources, together with Saskatchewan Environment, Saskatchewan Regional Economic and Co-operative Development, Saskatchewan Agriculture and Food, Executive Council, Saskatchewan Finance, CIC, SaskPower, SaskEnergy, the Saskatchewan Research Council and the Office of Energy Conservation, developed a range of initiatives to be supported over a number of years from the General Revenue Fund, federal funding support, and Crown Corporation funding. These initiatives, related to the Saskatchewan Energy and Climate Change Plan and the Green Strategy then under development, featured total funding across several years of \$188 million.

Action

Set out an energy policy that incorporates traditional and alternative energy sources, reflects environmental considerations and examines the potential of new technologies such as hydrogen and crop-related fuels. [2006-07 planned result]

Result

A comprehensive draft of a sustainable energy policy was approved by Cabinet in November 2006. Stakeholder consultations followed in January 2007 leading to a planned release of a public document in spring 2007.

Action

Support research in energy development, climate change and conservation through the Energy Sector Initiatives Fund. [2006-07 planned result]

Result

The department maintained program funding for the Saskatchewan Petroleum Research Incentive, the Petroleum Technology Research Centre, and the Energy Sector Initiatives Fund.

Action

Develop incentives to encourage business development and growth in green technologies. [2006-07 planned result]

Result

Industry and Resources worked with Saskatchewan Environment in the program design of the Green Technologies Commercialization Fund which is to be implemented in the 2007-08 operating year.

Goal 2, Objective 3 Measurement Result

Performance Measure

Index of Energy Intensity for Saskatchewan (Energy use per unit of output 1990 = 100)

Trend Information

Year	2001	2002	2003	2004	2005
Index of Energy Intensity	102	107	101	99	98

Discussion

This is a measure of the efficiency of the energy use in the Saskatchewan economy. Actions such as improvements in energy efficiency and efforts to conserve energy in general will reduce energy intensity (energy use per unit of Gross Domestic Product) per unit of output.

Declining energy intensity per unit of output has a double benefit. It lowers energy costs per unit of economic output, which is beneficial in enhancing competitiveness of Saskatchewan industry and reducing the burden on households when energy prices are rising rapidly. The second benefit is its reduction of greenhouse gas emissions per unit of economic output since greenhouse gas emissions are directly connected with energy use.

Goal 3 – A positive, competitive and innovative environment in which to invest and do business

Goal 3, Objective 1 Stimulate investment and business expansion across the province

A competitive business environment is one that enjoys a dynamic record of business establishment in response to economic opportunities influenced by government policy.

Goal 3, Objective 1 Key Results

Action

Intensify efforts to attract foreign investment, focusing on the Asia-Pacific region. [2006-07 planned result]

Result

The focus in 2006-07 has been in mineral development, and the oil and gas industry, and department efforts yielded results in that regard.

One example was that of a Chinese privately owned company establishing a Canadian subsidiary that invested \$30 million in energy exploration and drilling in Saskatchewan with plans for additional funding forecast in the 2007-08 financial year.

A number of Chinese investment delegations, including delegations led by the Vice-Minister of the Ministry of Land and Resources, and the Director General of the National Development and Reform Commission, toured Saskatchewan mines to determine feasibility of investing in the mining industry. Two major companies based in China are actively pursuing opportunities in the area of uranium exploration and mining. A major Japanese company is also pursuing opportunities in uranium exploration and mining.

Two Chinese companies (one a fertilizer business) signed a Memorandum of Understanding to explore for potash and import potash to China. They are also investigating the opportunity to establish a fertilizer plant in Saskatchewan.

The Asia-Pacific Desk also helped to co-ordinate two ministerial trips: one led by the Minister of Industry and Resources to China for the World Heavy Oil Conference and China Mining; and another led by the Minister of Agriculture and Food to Japan.

Action

Encourage diversification of the Saskatchewan economy. [2006-07 planned result]

Result

To encourage diversification in the economy, Industry and Resources supported the development of the Whitemud Resources Kaolin project, which is now under construction in the Wood Mountain area. Other diversification activities undertaken by the department included:

- establishing a directory of mining goods and services for Saskatchewan which is currently available online on the department's website;
- facilitating supplier development for the oil sands in Fort McMurray, the Corporate Procurement Committee and aerospace and defense opportunities. The department organized a tour of the major oil sands companies in Fort McMurray and discussed potential supplier relations with Saskatchewan;
- working with technology partner Forintek Canada to identify new forest products business opportunities that offer potential to diversify Saskatchewan's forest sector toward more value-added products; and
- providing assistance to Peter Ballantyne Cree Nation (PBCN) in its efforts to attract a forest industry participant to partner in developing PBCN's timber holdings in northeast Saskatchewan.

Action

Attract investment and promote consortia that encourage partnerships, technology transfer and skill development to retain and expand businesses and make them more competitive internationally. [2006-07 planned result]

Result

Industry and Resources handled over 80 manufacturing investment attraction requests by companies considering operations in the province in 2006-07. Examples of successes include Horizon Manufacturing Inc. (pet food) that established 15 jobs in Rosthern, and BP Oil that set up a 35,000 square foot facility and established 35 jobs in Melfort.

The following are some of the companies that worked with department officials to expand their operations in Saskatchewan in 2006-07.

- Industrial Machine expanded in Saskatoon and added 15 jobs.
- Vecima Networks (formerly VCom) added over 100 more jobs in Saskatoon.
- New Holland in Saskatoon added 100 jobs.
- Doepper Industries bought Precision Metal Fabrication's facility in Saskatoon and added 50 new jobs.
- IPSCO in Regina expanded its R&D facility and its large diameter pipe-making facility and added 25 jobs.

Seminars on Lean Manufacturing were held in Swift Current, Moose Jaw, Regina, Estevan and Yorkton. Over 80 Saskatchewan-based manufacturing and processing firms attended the seminars.

Goal 3, Objective 1 Measurement Results

Performance Measure

New investment by industry in key sectors

Trend Information

(Millions of dollars)

Discussion

This is a measure of capital spending intentions and is a strong signal of the growth of businesses, both new and existing, in the key sectors. The department can influence this measure by promoting the province as a positive business environment in which to invest and by engaging stakeholders and undertaking economic development activities within the sectors.

Sector	2002	2003	2004	2005	2006*
Forestry	\$ 6.40	\$ 9.90	\$ 11.90	\$ 12.00	\$ 10.10
Manufacturing	\$ 636.40	\$ 713.90	\$ 256.10	\$ 297.80	\$ 457.40
Oil and Gas Extraction	\$ 1,351.60	\$ 1,807.20	\$ 1,929.40	\$ 2,335.80	\$ 2,118.50
Minerals	\$ 175.50	\$ 191.30	\$ 333.90	\$ 588.30	\$ 849.60
Information and Culture Industries	\$ 227.20	\$ 154.50	\$ 177.70	\$ 228.90	\$ 368.70
Tourism	\$ 100.20	\$ 118.60	\$ 78.10	\$ 80.50	\$ 77.90

* Preliminary actual

Goal 3, Objective 2

Improve the province's competitiveness

A competitive business environment is one that enjoys a dynamic record of establishing businesses in response to economic opportunities influenced by government policy.

Goal 3, Objective 2

Key Results

Action

Streamline federal, municipal and other provincial departments' regulatory approval processes for the key sectors by working with other levels of government. [2006-07 planned result]

Result

Industry and Resources worked with the federal government and municipalities to expand BizPaL, an interactive one-stop website for permits and licenses required by all three levels of government, to include manufacturing, oil and gas seismic, mineral exploration, and forestry sectors.

The department led a Mines Ministers initiative to define the issues associated with regulatory efficiency in the mineral industry. A questionnaire was produced to which 12 provinces and territories and five federal departments responded. A workshop was completed in March 2007 and preliminary results have been generated. Formal recommendations will be made to the Mines Ministers in September 2008.

The Saskatchewan Mineral Exploration and Government Advisory Committee (SMEGAC) aided the industry in the preparation of the Best Management Practice guideline #14, "First Nations and Métis Community Engagement."

Action

Continuously monitor the province's royalty and tax regime to ensure it remains competitive to stimulate further oil and gas development. [2006-07 planned result]

Result

The province has developed a royalty/tax regime that is competitive, encourages new exploration and development activity and optimizes provincial revenues. Any changes that impact the oil and gas industry in Saskatchewan or surrounding jurisdictions are analyzed in order to determine the impact on Saskatchewan's ability to attract new oil and gas investments. During the last year, Alberta introduced some minor royalty and tax changes that had little impact on Saskatchewan. Alberta is currently conducting a major review of its royalty and tax regimes. The progress and outcome of this review will be closely monitored.

Amendments were prepared and placed on the agenda of the 2007 spring session of the Legislature to significantly simplify the Crown Royalty and Freehold Production Tax Regulations and administrative systems. With the amendments being approved, the number of mineral ownership categories needed to calculate the royalties/taxes was reduced from three to two.

A large number of oil wells may have been shut in for an extended period of time due to economic reasons. In order to maximize recoveries from these wells, the department is considering a new oil well reactivation program.

Action

Further enhance access to government services for new and expanding businesses through a one-stop website. [2006-07 planned result]

Result

Industry and Resources partnered with the federal government and the City of Saskatoon to launch BizPaL, an interactive one-stop website for permits and licenses required by all three levels of government, in June 2006.

Action

Benchmark Saskatchewan's competitiveness in relation to other jurisdictions to identify areas improvements may be considered. [2006-07 planned result]

Result

In "Sask Check-Up 2006," the Institute of Chartered Accountants reported that the province's investment climate improved as a result of the business tax reforms introduced in 2006.

Saskatchewan's labour productivity improved at the second highest rate in Canada from 2000 to 2005, due in part to increasing education levels. Productivity should continue to improve as capital investment responds to recent tax changes. Areas highlighted for improvement in the report include job creation in natural and applied sciences, R&D intensity, and growth in the real wage rate and personal disposable income.

Goal 3, Objective 2 Measurement Result

Performance Measure

Saskatchewan's share of Western Canadian conventional oil and gas exploration and development expenditure (excluding oil sands)

Trend Information

Year	2001	2002	2003	2004	2005	2006
Per Cent	8.50%	9.30%	9.20%	8.10%	7.30%	8.00%*

* Estimate

Discussion

Canada's oil and gas industry is quite varied and Saskatchewan competes for oil and gas investment primarily with other jurisdictions in Western Canada. An indicator of how well the province is competing for investment dollars is industry's investment in Saskatchewan as a percentage of the total amount spent on exploration and development (excluding oil sands) in all of Western Canada.

Performance Measure

Saskatchewan share of non-uranium mineral exploration

Trend Information

Year	2002	2003	2004	2005	2006
Per Cent	3.00%	3.00%	3.60%	5.60%	8.70%*

* Estimate

Discussion

The measure indicates the health of the mineral exploration industry. The department can influence the amount of exploration through geoscience programs, incentives and maintenance of a competitive business climate.

Performance Measure

Saskatchewan's competitiveness for manufacturing companies

Trend Information

KPMG Manufacturing Cost Comparison

	2002	2006
United States	100.0	100.0
Saskatoon	89.4	94.8
Regina	89.5	94.8
Moose Jaw	88.3	93.4
Prince Albert	88.4	93.5
Saskatchewan Average	88.9	94.1
Canadian Average	90.0	95.5
Exchange Rate	1.546	1.1735

Source: www.competitivealternatives.com

Discussion

This measure ranks Saskatchewan's manufacturing competitiveness using KPMG's Competitive Alternatives cost index. The department has indirect influence over the relative competitiveness of the province through policy analysis and recommended policy changes that would impact this competitiveness index.

The Canadian dollar appreciated 31.7 per cent relative to the U.S. dollar between the 2002 and 2006 studies, which has significantly reduced Saskatchewan's cost advantage over the average U.S. location. The impact of currency appreciation has been dampened somewhat by an attendant increase in purchasing power for those businesses sourcing equipment or supplies from abroad. Nevertheless, with nearly two-thirds of Saskatchewan's production exported to foreign markets, Saskatchewan manufacturers are very vulnerable to exchange rate fluctuations.

Despite the relative decline in cost advantage, Saskatchewan manufacturing shipments increased by 39.9 per cent, from \$7.4 billion to \$10.4 billion between 2002 and 2006. Measures advocated by the department such as refund of the Investment Tax Credit for manufacturing and processing capital investment have helped to improve the cost competitiveness of Saskatchewan manufacturers.

Goal 3, Objective 3

Maximize the return on investments in innovation

The department has a role in encouraging innovation and commercialization of research. This objective encourages private sector research activity in Saskatchewan, including at specialized research facilities and venues.

Goal 3, Objective 3

Key Actions

Action

Encourage research, development, demonstration and commercialization of new technologies that facilitate the expanded production of Saskatchewan's resources. [2006-07 planned result]

Result

In 2006-07, the department supported the development of incubation centres to act as catalysts for the transfer of technology innovations to the marketplace. With support from the department, the University of Regina established the SpringBoard West Technology Innovation Centre.

The department also supported the SyLMAND beamline at the synchrotron to develop a strategy for commercialization and industry participation.

Action

Develop new enhanced oil recovery techniques through the Petroleum Technology Research Centre and the oil industry. [2006-07 planned result]

Result

The department approved \$3 million in oil and gas royalty credits for the implementation and demonstration of new technologies to enhance the recovery of oil.

Action

Build on the Saskatchewan Forest Centre's technology transfer and value-added services with support for new agroforestry and market development initiatives. [2006-07 planned result]

Result

Industry and Resources led a multi-department task team assigned to conduct a review, analysis and preparation of recommendations for development and implementation of an agroforestry program in Saskatchewan.

The department participated in a task force on forest sector competitiveness that recommended to government how to protect existing forest sector industries. A response from government is expected in 2007-08.

Action

Work to enhance the life sciences economic cluster in Saskatoon and promote the cluster's unique capabilities through trade missions to select international regions and attendance at key industrial venues. [2006-07 planned result]

Result

To promote the life science cluster and unique capabilities in Saskatoon, Industry and Resources participated in three Team Saskatchewan missions:

- BIO 2007 – Chicago
- ABIC 2007 – Australia/New Zealand
- India – February 2007

Action

Implement a business-friendly industrial science program at the CLS synchrotron to achieve a significant level of industrial usage. [2006-07 planned result]

Result

The department worked with the CLS synchrotron and the Department of Advanced Education and Employment on requirements to expand the physical building to accommodate new beamlines which have an estimated cost of \$40.5 million.

Action

Attract industrial investment related to the synchrotron and the province's other research facilities. [2006-07 planned result]

Result

Industry and Resources participated in the Saskatoon Enterprise Committee which was formed to develop a strategic framework to help increase investment and employment related to the CLS synchrotron and other strategic research infrastructure. The committee is looking into how government, research institutions and the private sector can collaborate more effectively to attract research-related investment.

Action

Expand the CLS facility to provide a wider range of applications related to the province's key economic sectors. [2006-07 planned result]

Result

The CLS facility continues to develop major experimental facilities. It operated in such fields as physics, chemistry, biology and life sciences, protein crystallography and genomics, environmental chemistry, material characterization and medicine.

Through annual use by over 2,000 scientists, predominantly from Canada, but also from around the world, the CLS is becoming the national centre of excellence in synchrotron science and technical applications.

Goal 3, Objective 3 **Measurement Result**

Performance Measure

Business expenditure on research and development (R&D) in Saskatchewan per year

Trend Information

(Millions of dollars)

Year	Business	Saskatchewan Total	Business as % of SK Total
1999	72	323	22.29
2000	77	376	20.48
2001	85	396	21.46
2002	116	434	26.73
2003	88	391	22.51
2004	120	422	28.44

Discussion

This measure tracks the amount of investment by business enterprises in research and development activities and is an indicator of the development and adoption of new technologies in the province. As a contributor to research and development funding in the province, the department can influence this measure by strengthening the province's research infrastructure, matching other sources of R&D and technology commercialization funds, and by administering tax incentive programs to encourage R&D in the resource sectors.

Goal 3, Objective 4

Improve perception of Saskatchewan growth opportunities for increased capital investment and economic development, tourism, youth retention and business expansion

This objective is reflective of sentiments expressed at the Centennial Summit (January 2005) that Saskatchewan is a place of opportunity, and that the private and public sectors must promote the province's advantages.

Action

Partner with business to send Team Saskatchewan missions to markets around the world to build business relationships and generate leads in key sectors. [2006-07 planned result]

Result

Industry and Resources engaged business and community representatives in the development and planning of missions to the province's priority markets. Staff have concentrated on expanding contributions from the business community in the identification and development of target markets and missions. This was done to ensure the best results in terms of market selection, the value of the effort and the final product delivered through the mission and the business contacts on the ground. Over 50 business and community representatives have taken part in the current-year missions.

Missions in the 2006-07 fiscal year included:

- BIO 2007 – Chicago
- ABIC 2007 – Australia/New Zealand
- India – February 2007

Industry and Resources organized ministerial meetings with key contacts and clients from the strategic sectors during the Innovative by Nature campaign events in Ottawa, Toronto, Calgary and Vancouver.

Action

Work with Canada's embassies and consulates around the world to promote Saskatchewan's competitive advantages and investment opportunities. [2006-07 planned result]

Result

Department staff were in regular contact with embassies and consulates in key markets around the world for lead generation. Focus of those key contacts was sharing of information on the competitive advantages of investing in Saskatchewan. In 2006-07, the department

increased its contact efforts with a number of key consulate and embassies with emphasis on investment attraction leads, market knowledge, relationship-building and strengthening, and information on the Innovative by Nature campaign.

Action

Promote our manufacturing sector as the advanced, vibrant sector it is, and exhibit the province's capabilities at targeted trade shows and investment attraction events. [2006-07 planned result]

Result

Industry and Resources updated the manufacturing sector marketing material and prepared a marketing strategy for the sector.

The department held the first annual Manufacturing Week in the province. Its events were attended by over 150 manufacturers and included over 15 different manufacturing companies in Saskatoon, Regina, Swift Current and Moose Jaw.

Staff worked with local economic development authorities to provide media and information sessions on manufacturing in Saskatchewan.

Department representatives attended numerous trade shows in 2006-07. Those trade shows included:

- Cansec in Ottawa, April 2006
- Meet the North in Edmonton, May 8 - 10, 2006
- Western Aerospace Alliance Conference in Campbell River, British Columbia, June 2006
- Western Canada Farm Progress Show in Regina, June 2006
- Atlantic Canada Aerospace Defense and Security Exhibition in Halifax, September 2006
- Farm Equipment Manufacturers Association in Minneapolis, November 2006

Action

Increase awareness among young people of the many business and career opportunities in Saskatchewan through programs such as: the 2005 Your Future is Here campaign and SaskYouth.net, an online resource of opportunities for youth. [2006-07 planned result]

Result

Industry and Resources provided \$50,000 for the 2006 My Future is Here campaign (formerly known as the Your Future is Here program). In 2006, the program generated 300 applications for its scholarships and business start-up grants, compared to 100 in each of 2005 and 2004. The value of scholarships and grants promoted under the program has grown to \$300,000. The program administrator, the Saskatchewan Rotary Youth Foundation, has expanded the program to include a youth advisory group to provide guidance on the direction of the program, and a youth representative squad to encourage participation at the high-school level across the province.

Goal 3, Objective 4 Measurement Result

Performance Measure

Percentage of Saskatchewan residents, in polling, who agree with the statement: "Saskatchewan is a great place in which to live, work, and do business"

Trend Information

No data available

Discussion

This survey question was found to be biased. Therefore the department has changed the performance measure to: Increase in percentage of national business decision makers who, in polling, hold a favorable view of the Saskatchewan economy and Increase in percentage of Saskatchewan people who, in polling, are optimistic about the future of Saskatchewan economy. The results of these surveys will be presented in the 2007-08 annual report.

2006-07 Financial Results

Financial Report (Budgetary Expenditure)

Appropriation and Expenditure by Subvote and Subprogram

Expenditures

Summary of Expenditures

The following table outlines information on actual and budgeted expenditures by subvote and subprogram. Variance explanations are provided for all variances that are greater than \$500,000.

in thousands of dollars

Subvote/Subprogram	Original Estimate 2006-07	Actual Expenditure 2006-07	Variance Over/ (Under)	
IR01 Central Management and Services				
Executive Management	\$ 814	\$ 718	\$ (96)	
Central Services	3,312	4,076	764	1
Accommodation Services	3,610	3,405	(205)	
Capital	400	5,006	4,606	2
IR01 Central Management and Services Total	\$ 8,136	\$13,205	\$ 5,069	
IR07 Investment Programs				
Economic Partnership Agreements	\$ 5,080	\$ 3,179	\$ (1,901)	3
Petroleum Research Initiative	1,000	1,000	0	
Strategic Investment Fund	2,740	8,186	5,446	4
Technology Commercialization	75	70	(5)	
Mineral Exploration Incentives	1,073	1,085	12	
Energy Sector Initiatives	1,054	1,549	495	
Ethanol Fuel Tax Rebate	17,700	6,111	(11,589)	5
Maple Leaf Foods Agreement	15,500	0	(15,500)	6
IR07 Investment Programs Total	\$44,222	\$21,180	\$ (23,042)	
IR03 Industry Development				
Forestry Development	\$ 408	\$ 334	\$ (74)	
Business Development	2,761	3,552	791	7
Marketing	4,574	3,843	(731)	8
IR03 Industry Development Total	\$ 7,743	\$ 7,729	\$ (14)	
IR04 Revenue and Program Services				
Revenue	\$ 2,579	\$ 2,414	\$ (165)	
Program Services	641	451	(190)	
IR04 Revenue and Program Services Total	\$ 3,220	\$ 2,865	\$ (355)	
IR05 Petroleum and Natural Gas Total	\$ 5,751	\$ 5,630	\$ (121)	
IR16 Exploration and Geological Services Total	\$ 4,882	\$ 4,655	\$ (227)	
IR06 Resource and Economic Policy Total	\$ 2,501	\$ 2,202	\$ (299)	
IR09 Tourism Saskatchewan Total	\$ 7,892	\$ 7,892	\$ 0	
IR10 Saskatchewan Trade and Export Partnership Inc.	\$ 2,791	\$ 2,791	\$ 0	
Total Appropriation	\$87,138	\$68,149	\$ (18,989)	
Capital Asset Acquisitions	(400)	(287)	113	
Capital Asset Amortization	4,755	0	(4,755)	2
Total Expense	\$91,493	\$67,862	\$ (23,631)	

Explanations of Major Variances

- 1 The department required additional funding to cover additional systems service delivery costs associated with the transition to the Information Technology Office (ITO) central service delivery; upgrades to ensure that the department keeps abreast with industry standards; and the ongoing maintenance of legacy mainframe systems.
- 2 The department's capital amortization expense was recorded in the Central Management and Services Program.
- 3 The department is in the fourth year of this five-year program. In 2006-07, savings of \$1.9 million were realized when some research projects were delayed, deferred or cancelled.
- 4 The Strategic Investment Fund program received approval to fund several larger initiatives, such as: \$2.2 million towards the Technology Innovation Centre (now known as SpringBoard West Innovations Inc.) that provides services to increase commercialization within the province; \$2.1 million to the Transportation Partnership Fund to assist a new investment in the province; \$1.9 million for the Entrepreneurial Foundation of Saskatchewan towards providing entrepreneurial support to clients of the foundation and \$616,000 to support the Saskatchewan Research Council Hydrogen Highway project.
- 5 The Ethanol Fuel Tax Rebate program was under-expended by \$11,589,000 due to production delays at two newly constructed ethanol plants in the province. Ethanol production at Lloydminster's Husky plant and Weyburn's Noramerica plant was less than anticipated due to production delays.
- 6 Maple Leaf Foods terminated its agreement to expand its Saskatoon hog processing facility.
- 7 The department led the Excellence in Action Symposium and provided support for other economic development initiatives.
- 8 Savings were realized in the Marketing operating costs to support new initiatives including the Excellence in Action Symposium.

Description of Third Party Funding

Funding Source	Amount (\$ Thousands)	Description
Economic Partnership Agreements	\$3,179	Federal/provincial agreement to help build the province's capacity for economic development and growth through innovation.
Petroleum Research Initiative	\$1,000	Provides program core funding to the Petroleum Technology Research Centre to undertake research relevant to the petroleum sector in Saskatchewan.
Strategic Investment Fund	\$7,959	Provides support to the research capacity in the province and the development of innovative products and processes.
Mineral Exploration Incentives	\$ 598	Encourages grassroots mineral exploration activity by prospectors and mineral exploration companies in Saskatchewan.
Energy Sector Initiatives	\$1,488	Provides funding to a variety of projects, including climate change initiatives (Climate Change Saskatchewan and Prairie Adaptation Research Collaborative, the Office of Energy Conservation and the Petroleum Technology Research Centre).
Ethanol Fuel Tax Rebate	\$6,111	Funding to support the development of an ethanol industry in the province.
Industry Development	\$ 658	Funding and sponsorships to support various economic development initiatives.
Resource and Economic Policy	\$ 67	Funding in support of EnergyNet's working committee and the World Heavy Oil Conference.
Exploration and Geological Services	\$ 60	Funding for geosciences research projects that may have an impact on the hydrocarbon and/or potash exploration and development in the province.
Tourism Saskatchewan	\$7,892	Funding to support delivery of programs that support regional and sectoral development and that provide consultative and financial assistance to help organize, develop and market the tourism industry.
Saskatchewan Trade and Export Partnership Inc.	\$2,791	Supports the international and domestic marketing activities of its members and clients for the benefit of Saskatchewan.

Vanguard Loan Guarantee

In 2005, the province provided a five-year \$1.25 million loan guarantee to the Battlefords Credit Union Limited (BCUL) to enable a loan agreement between BCUL and Vanguard Inc.

Vanguard Inc. agrees to retain manufacturing operations in North Battleford while the guarantee remains in effect and to proceed with a planned plant expansion.

in thousands of dollars

	Budget	Actual	Variance Over/ (Under)
Beginning Balance	\$1,250	\$1,250	\$0
Additions		0	0
Reductions	0	0	0
Ending Balance	\$1,250	\$1,250	\$0

HudBay Minerals Inc. (HMI)

In 1991, the province provided Hudson Bay Mining and Smelting Company Limited (HBMS) with an interest-free, \$7.8-million advance to help finance a \$178-million plant expansion and environmental refitting. The federal government also provided an interest-free loan of \$25 million; the Bank of Nova Scotia provided an \$80-million loan and the

Government of Manitoba \$47.2 million. Final payment on the loan is due in June 2008.

HBMS was recently sold to Ontzinc Corporation, and the operations have continued under the new name HudBay Minerals Inc. (HMI).

in thousands of dollars

	Budget	Actual	Variance Over/ (Under)
Beginning Balance	\$1,894	\$1,894	\$0
Additions	132	132	0
Reductions	(567)	(567)	0
Ending Balance	\$1,459	\$1,459	\$0

Invest in Saskatchewan Program Activity

Invest in Saskatchewan Program

	Fiscal 2006-07	Program to Date
		(April 1989 - March 2007)
Employee Funds		
Number of Registrants Raising Funds	9	27
Funds Invested in Small Businesses	\$602,048	\$9,095,470
Amounts on Which Tax Credits Paid	\$820,095	\$8,660,492
Provincial Tax Credits Issued	\$164,012	\$1,702,429
Jobs Created or Maintained (Gross)	117	1,740
Provincial Pool Funds	Fiscal 2006-07	Program to Date
Funds Raised	\$33,620,305	\$163,619,433
Number of Investors	10,222	52,662
Number of Investments Made into Eligible Businesses	48	227
Number of Companies Receiving Equity Funding	32	132
Amount of Funds Invested	\$37,038,022	\$120,385,081
Provincial Tax Credits Issued	\$6,691,506	\$32,585,774
National Pool Funds	Fiscal 2006-07	Program to Date
Funds Raised	\$553,308	\$188,613,975
Number of Investors	317	72,058
Investments Made into Eligible Businesses	1	54
Eligible Businesses Receiving Equity Funding	1	27
Amount of Funds Invested	\$2,000,000	\$85,748,385
Provincial Tax Credits Issued	\$77,252	\$31,547,971

Summary of Revenues

The department collects revenues, on behalf of the government, from the production and sale of Saskatchewan's energy and mineral resources, the sale of Crown mineral rights and other associated taxes, services and fees. All revenue collected is deposited in the General Revenue Fund. A summary of the department's 2006-07 budgeted revenue compared to actual revenue is presented below.

Variance explanations are provided for all variances that are greater than \$3.0 million.

The department's actual revenue for 2006-07 was \$1.709 billion, an increase of \$182.2 million over the 2006-07 budget estimate. The most significant reasons for this increase are explained below.

Summary of Revenues *in thousands of dollars*

	2006-07 Budget	2006-07 Actual	Variance Over (Under)
Non-renewable Resource Revenue			
Oil	\$ 989,800	\$1,318,852	\$329,052 1
Natural Gas	186,000	165,131	(20,869) 2
Potash	279,100	161,729	(117,371) 3
Other Minerals	56,892	48,540	(8,352) 4
Total Non-renewable Resource Revenue	\$1,511,792	\$1,694,252	\$182,460
Other Own-source Revenue			
Mineral Rights Tax	\$ 8,000	\$ 8,071	\$ 71
Sales, Services and Service Fees	6,894	5,595	(1,299)
Interest and Penalties	133	144	11
Other Miscellaneous Revenue	177	1,105	928
Total Other Own-source Revenue	\$ 15,204	\$ 14,915	\$ (289)
Total Revenue	\$1,526,996	\$1,709,167	\$182,171

Explanations of Major Variances

- 1 Oil revenues increased by \$329.1 million, primarily due to the average provincial wellhead price of oil being \$8.50 Cdn./bbl higher than budgeted and its impact on the price sensitive royalty/tax rates.
- 2 Natural gas revenues decreased by \$20.9 million, primarily due to the average fieldgate price of gas being \$0.89 Cdn./mcf lower than originally budgeted and its impact on the price sensitive royalty/tax rates.
- 3 Potash revenues declined \$117.4 million, due to lower sales volumes and average prices, increased operating costs and timing differences.
- 4 Other minerals decreased by \$8.4 million, primarily due to decreases in sales volumes.

2006-07 Oil and Gas Tables

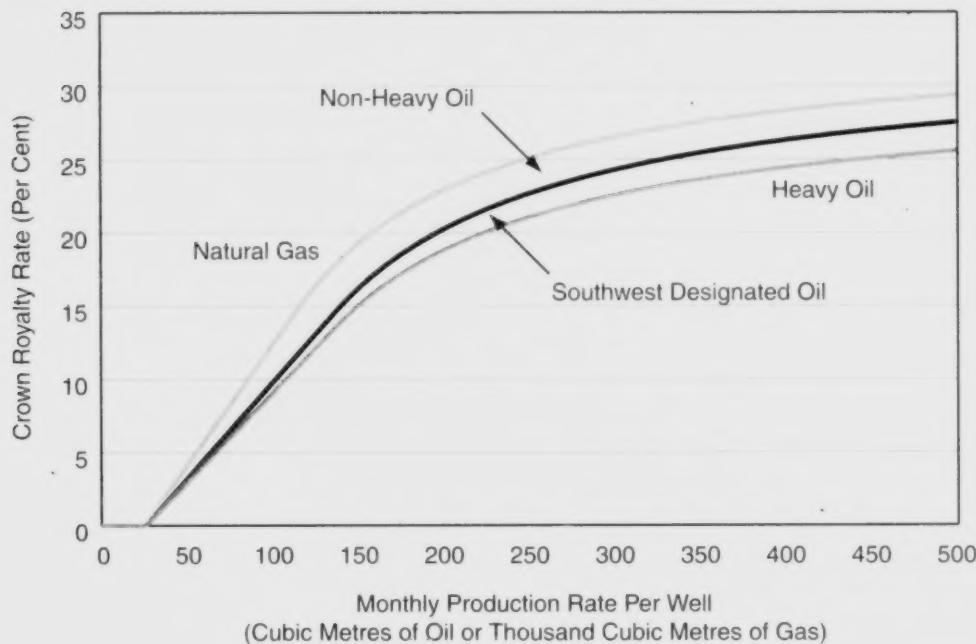
New Oil and Gas Wells Drilled in 2006

Well Category	Producing	Abandoned	Service	Total
OIL				
Conventional				
Vertical	1,390	87	88*	1,565
Horizontal	699	5	5*	709
Total	2,089	92	93	2,274
Enhanced Oil Recovery (EOR**)				
Vertical	13	0	*	13
Horizontal	52	0	*	52
Total	65	0		65
Total Oil Wells	2,154	92	93	2,339
GAS				
Total	1,498	10	0	1,508
TOTAL	3,652	102	93	3,847

* The split of total service oil wells into the conventional and EOR oil well categories is not available.

** EOR means enhanced oil recovery projects that utilize steam, gas or chemical injection.

March 2007 Crown Royalty Curves for Saskatchewan



Major Saskatchewan Resource Industries Statistical Summary – Oil and Gas

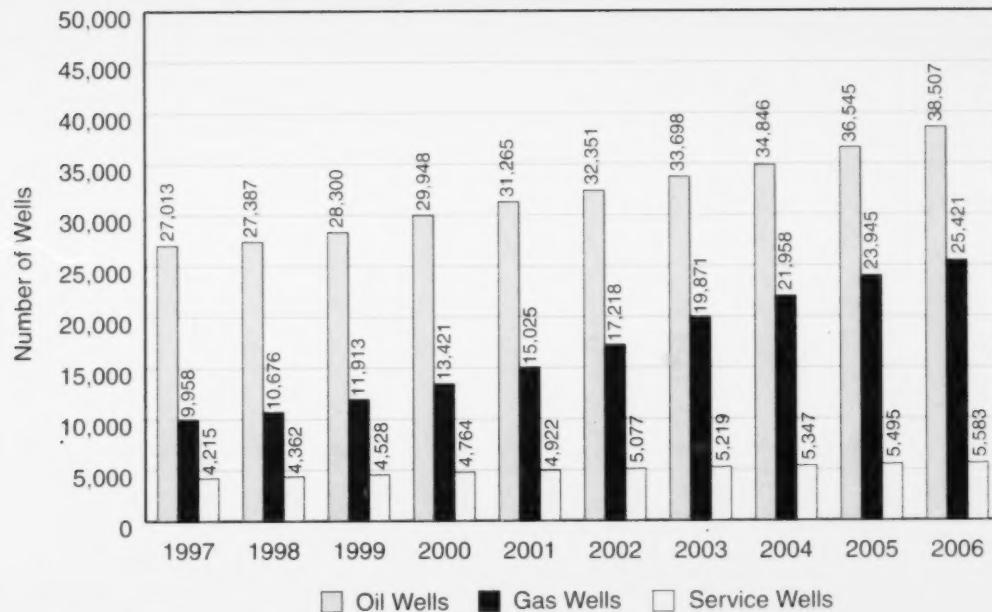
Crude Oil	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 (est)
Production (million cubic metres)	23.46	23.15	21.71	24.25	24.75	24.42	24.33	24.59	24.30	24.84
Sales (\$ millions)*	\$2,868	\$1,940	\$3,058	\$5,034	\$3,693	\$4,663	\$4,757	\$5,579	\$6,614	\$7,807
Direct Employment	7,860	5,640	6,000	7,440	7,780	7,380	8,070	8,180	8,820	9,470
Capital Spending (\$ millions)	\$2,544	\$1,141	\$905	\$1,551	\$1,440	\$1,178	\$1,595	\$1,615	\$2,004	\$2,430
Wells Drilled	3,608	1,064	1,391	2,396	1,924	1,643	1,877	1,740	2,007	2,339
Provincial Revenues (\$ millions)**										
Royalty/Tax	\$354.4	\$233.6	\$565.6	\$712.7	\$477.5	\$727.6	\$590.4	\$784.1	\$952.1	\$1,048.7
Oil and Gas Land Sale										
Bonus Bids	\$109.2	\$48.7	\$48.1	\$55.7	\$53.6	\$110.2	\$159.2	\$93.0	\$141.4	\$169.1
Other***	\$25.1	\$22.2	\$26.4	\$30.6	\$24.2	\$24.5	\$24.9	\$29.8	\$31.5	\$28.3
Total Revenues	\$488.7	\$304.5	\$640.1	\$799.0	\$555.3	\$862.3	\$774.5	\$906.9	\$1,125.0	\$1,246.1
Natural Gas	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 (est)
Production (billion cubic metres)	7,820	7,696	7,911	8,152	8,289	8,283	8,848	9,413	9,500	9,581
Sales (\$ millions)*	\$406	\$435	\$623	\$1,128	\$1,313	\$936	\$1,580	\$1,673	\$2,134	\$1,675
Direct Employment	425	575	780	895	1,040	1,290	1,530	1,435	1,425	1,345
Capital Spending (\$ millions)	\$55	\$72	\$131	\$159	\$197	\$263	\$337	\$339	\$323	\$300
Wells Drilled	327	634	1,038	1,209	1,409	1,874	2,318	1,942	1,794	1,508
Provincial Royalty/Tax Revenue (\$ millions)**	\$44.0	\$65.9	\$91.8	\$239.3	\$129.1	\$152.7	\$210.5	\$212.4	\$269.1	\$179.6

* Crude oil sales are at the wellhead and natural gas sales are at the fieldgate and gas plant inlets.

** Provincial revenue figures are for each fiscal year beginning in the year shown.

*** Other revenue include lease rentals, interest and net royalty payments.

Wells Capable of Production/Injection



2006-07 Mineral Tables

Crown Metallic and Industrial Mineral Dispositions

	As of March 31, 2005		As of March 31, 2006		As of March 31, 2007	
	Number	Area (hectares)	Number	Area (hectares)	Number	Area (hectares)
Mineral Claims	4,425	4,198,539	5,720	6,614,604	6,283	9,612,733
Mineral Permits	49	1,723,622	56	2,001,358	64	2,382,844
Mineral Leases	106	31,265	89	27,466	76	25,098
Alkali Leases	35	12,421	35	12,421	35	12,423
Coal Dispositions	776	121,351	771	121,355	785	118,945
Quarry Dispositions	113	3,723	145	11,422	144	15,666
Potash Leases	10	227,943	11	254,467	11	254,967
Potash Permits	0	0	14	433,319	30	864,663
Total	5,514	6,318,864	6,841	9,476,412	7,428	13,287,339
Transfers and Change of Name	394	542,380	654	1,209,975	1,639	5,047,686

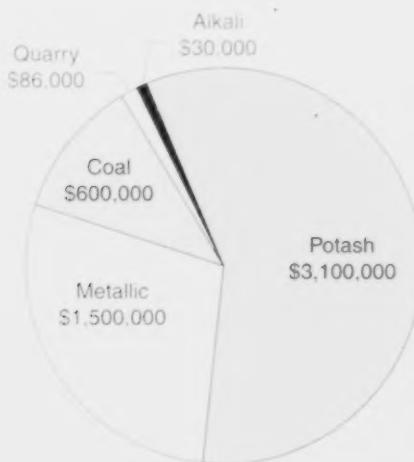
Exploration Expenditures

Commodity	2005 Actual Expenditures		2006 Actual Expenditures	
	(\$ Millions)		(\$ Millions)	
Uranium		\$ 74.6		\$123.7
Gold		15.3		13.8
Base Metals		2.9		3.9
Diamonds		55.4		98.8
Others		1.8		3.4
Total	\$150.0		\$243.6	

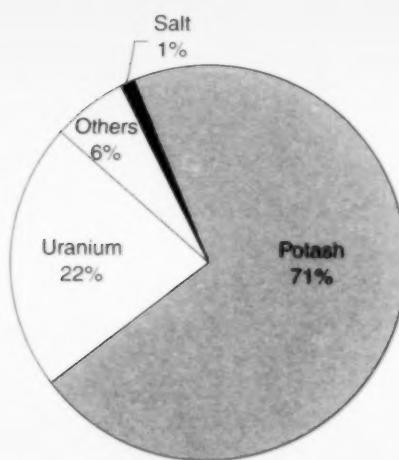
2006-07 Value of Mineral Sales – \$3.4 Billion



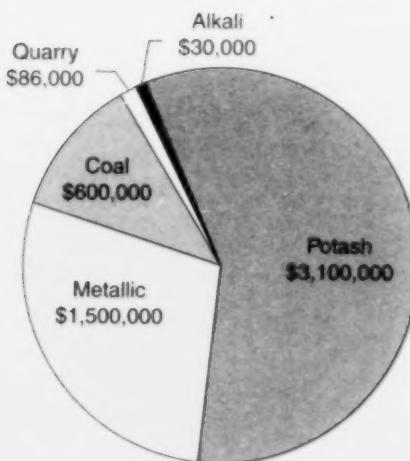
2006-07 Crown Mineral Tenure Fees – \$5.316 Million



2006-07 Value of Mineral Sales – \$3.4 Billion



2006-07 Crown Mineral Tenure Fees – \$5.316 Million



Major Saskatchewan Resource Industries

Statistical Summary – Minerals, Fiscal Year

(Dollar value is in millions of dollars)

Potash	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production (thousand tonnes of K ₂ O)	6,969	8,297	8,646	7,909	8,721	7,799	8,154	8,638	9,638	10,133	8,948
Sales Values	\$1,099	\$1,504	\$1,663	\$1,682	\$1,744	\$1,622	\$1,718	\$1,632	\$2,168	\$2,697	\$2,400
Royalty/Tax*	\$88	\$190	\$203	\$170	\$199	\$180	\$175	\$120	\$306	\$278	\$161
Direct Employment	2,978	3,012	3,143	3,081	3,035	3,061	3,044	3,092	3,144	3,242	2,898
Capital Spending	\$108	\$129	\$161	\$101	\$107	\$109	\$98	\$111	\$197	\$332	\$473
Uranium	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production (thousand tonnes of U ₃ O ₈)	13.3	14.2	n/a	n/a	12.2	15.1	13.7	12.4	13.6	13.6	12.1
Sales Values	\$650.7	\$556.9	n/a	n/a	\$419.2	\$561.8	\$593.1	\$543.5	\$576.8	\$635.8	\$754.0
Royalty/Tax*	\$57.9	\$38.5	n/a	n/a	\$38.7	\$22.7	\$29.2	\$14.4	\$24.5	\$29.8	\$30.1
Direct Employment	1,749	1,918	n/a	n/a	1,555	1,307	1,316	1,413	1,579	1,915	1,262
Capital Spending	\$245	\$277	n/a	n/a	\$49	\$48	\$33	\$49	\$119	\$293	\$253
Coal	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production (million tonnes)	10.8	11.7	n/a								
Sales Values	\$116.0	\$122.1	n/a								
Royalty/Tax*	\$15.2	\$15.1	n/a								
Direct Employment	543	583	n/a								
Capital Spending	\$6	\$9	n/a								
Salt	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production (thousand tonnes)	813.1	875.1	750.4	755.9	745.9	823.4	920.3	1,004.6	1,122.8	1,123.5	1,160.0
Sales Values	\$27.8	\$24.0	\$22.2	\$19.8	\$20.1	\$21.0	\$21.4	\$22.7	\$22.4	\$24.6	\$27.4
Royalty/Tax*	\$0.9	\$0.8	\$0.7	\$0.8	\$0.8	\$0.8	\$1.0	\$0.9	\$1.1	\$1.1	\$0.3
Direct Employment	219	206	198	185	178	164	180	182	179	179	211
Sodium Sulphate	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production (thousand tonnes)	327.3	298.4	293.2	282.9	244.5	160.4	185.3	171.4	134.2	n/a	n/a
Sales Values	\$31.8	\$32.7	\$30.5	\$25.7	\$23.0	\$22.0	\$23.0	\$20.0	\$17.2	n/a	n/a
Royalty/Tax*	\$1.6	\$1.5	\$1.4	\$1.2	\$1.0	\$1.0	\$0.9	\$0.5	\$0.6	n/a	n/a
Direct Employment	152	144	159	119	104	60	56	56	50	n/a	n/a

Major Saskatchewan Resource Industries (continued)

Statistical Summary – Minerals, Fiscal Year

(Dollar value is in millions of dollars)

Precious and Base Metals	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gold and Silver											
Production (thousand troy ounces)	106.9	131.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sales Values	\$55.8	\$67.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Base Metals											
Production (thousand kilograms)	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sales Values	\$0	\$0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Precious and Base Metals											
Revenues*	\$1.0	\$0.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Direct Employment (Mine site)	188	232	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Capital Spending	\$43.0	\$10.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other**			*1998	*1999	2000	2001	2002	2003	2004	2005	2006
Production (million tonnes)			11.8	11.7	11.2	11.4	11.4	10.7	11.6	11.2	10.6
Sales Values			\$638.2	\$672.6	\$194.8	\$203.0	\$213.0	\$214.8	\$229.4	\$256.1	\$228.7
Royalty/Tax			\$47.2	\$39.9	\$14.4	\$14.5	\$22.6	\$20.0	\$23.0	\$18.2	\$17.9
Direct Employment***			2,704	2,505	696	662	723	712	721	742	844
Capital Spending			\$305.0	\$273.3	\$18.2	\$20.5	\$46.4	\$34.4	\$37.7	\$32.8	\$85.2
Exploration Expenditure			\$29.5	\$28.4	\$24.2	\$22.9	\$30.1	\$31.3	\$60.8	\$150.0	\$243.6

* All revenue figures, including royalties/taxes, are for the fiscal year beginning in the year shown.

** Confidentiality requirements pursuant to *The Crown Minerals Act* do not permit commodity specific information to be released where there are fewer than three producing companies. This information is aggregated and presented in the "Other" category which includes Bentonite, Quarriable Materials, Coal, Uranium (for 1998 and 1999), Gold, Silver, Base Metals and Sodium Sulphate (2005 and 2006).

*** Approximately 300 additional Saskatchewan residents are employed at the HudBay operations in Flin Flon, Manitoba.

Non-department Data Sources:

Employment information was derived from information from Saskatchewan Labour and Saskatchewan Learning (annual average).

Some Capital Spending figures were derived from Natural Resources Canada Expenditure Survey.

Where to Obtain Additional Information

This report provides information about our accomplishments and our future plans. If you have any questions or comments, or would like additional copies of the plan, we invite you to call (306) 787-1691.

Or contact:

Saskatchewan Industry and Resources
Public Affairs
2103 11th Avenue
4th Floor
Regina, SK S4P 3V7

Or send us an e-mail through our website:
www.ir.gov.sk.ca

Visit our website to find out about:

- 2007-08 Provincial Budget documents
- Saskatchewan Action Plan for the Economy

Appendices

Saskatchewan Action Plan for the Economy Progress Report

A New Century of Opportunity

A commitment was made that Saskatchewan Industry and Resources would monitor and report on progress on the Saskatchewan Action Plan for the Economy and its specific actions through the departmental report to the Legislative Assembly when the plan was announced in September of 2005. What follows is a brief introduction and a progress report on each of the 81 actions.

It has been a good year for the Saskatchewan economy. It has been a year of record employment levels and record low unemployment. Manufacturing shipments, oil and gas production, farm cash receipts, urban housing starts, international exports, retail sales, building permit values, average weekly earnings and new motor vehicle sales are all up. So it is not surprising that it has also been a year of good progress on many of the actions in the Saskatchewan Action Plan for the Economy: A New Century of Opportunity. Some of the highlights from 2006-07 are:

- announcement of \$52.6 million in new funding for the education and training of Saskatchewan's young people with an emphasis on Aboriginal and northern young people. This will help address the tightening labour market as the province's economy continues to grow;
- announcement of a new immigration strategy that commits \$6.3 million this year, up from \$1.7 million in 2005-06, to support increased immigration to Saskatchewan and enhancements to settlement and integration services for newcomers;
- announcement of Potash Production Tax changes that will see capital investments in the range of \$1.7 billion by the potash industry to expand production at existing potash mines in the province by approximately 26 per cent; and
- creation by Crown Investments Corporation (CIC) of The First Nations and Métis Fund to strengthen Aboriginal participation in the economy.

Saskatchewan also hosted several great events in 2006-07 that highlighted our strengths and opportunities.

- As part of the government's commitment to make Saskatchewan the best place for young people to live, work and build their future, the first Saskatchewan Youth Summit was held in Saskatoon.
- Seven hundred people from across Canada – including the Premiers of British Columbia, Manitoba, Newfoundland and Labrador, Nunavut, and the North West Territories, and key Aboriginal leaders – gathered in Saskatoon for Excellence in Action: Best Practices in First Nations, Métis and Inuit Economic Development.
- The music industry was showcased at the Juno Awards in Saskatoon.
- It was announced that Moose Jaw will host the 2007 Western Canadian Music Awards and Regina will be the host city of the 2007 Gemini Awards.

Work was done to advance three key strategies that will contribute to Saskatchewan's continued prosperity.

- The announcement of the Transportation for Economic Advantage on March 6, 2007.
- The announcement of the Green Strategy early into the next fiscal year (April 12, 2007).
- The announcement of the Saskatchewan Energy and Climate Change Plan early into the next fiscal year (June 14, 2007).

The remainder of this report includes further details on our progress on the 81 actions contained under the plan's four main thrusts.

1. Expand and Build on our Natural Strengths
2. Extend our Success in Research and Innovation
3. Enhance and Promote our Competitive Advantages
4. Broaden our Economy, Workforce and Jobs

1. Expand and Build on our Natural Strengths

Energy

Action 1: Continuously monitor the province's royalty and tax regime to ensure it remains competitive to stimulate further oil and gas development.

During the last year, Alberta introduced some minor royalty and tax changes that had little impact on Saskatchewan. Alberta is currently conducting a major review of its royalty and tax regimes. Industry and Resources is closely monitoring the progress of Alberta's review of royalties.

Industry and Resources has proposed regulatory changes to simplify the Crown Royalty and Freehold Production Tax Regulations and administrative systems.

In addition, high crude oil prices have led to a renewed interest in the exploration for oil sands and oil shale deposits in Saskatchewan. To promote ongoing exploration and encourage commercial development of these deposits, new regulatory proposals were formulated in consultation with industry that deal with land tenure policies.

Amendments to *The Petroleum and Natural Gas Regulations, 1969* were prepared and will allow for future disposition of oil sands and oil shale mineral rights through a land sale bonus bid and work commitment bid process. Also, amendments to *The Oil Shale Regulations, 1964* were proposed to enable existing permits to continue under these regulations. The amendments were to be announced in May 2007.

Action 2: Develop new enhanced oil recovery techniques through the Petroleum Technology Research Centre and the oil industry.

In addition to providing favourable fiscal and regulatory provisions for enhanced oil recovery (EOR), such as the Saskatchewan Petroleum Research Incentive, the government directly supported EOR research and development through the operation of the Petroleum Technology Research Centre.

Industry and Resources also approved \$3 million in oil and gas royalty credits for enhanced oil recovery techniques.

Action 3: Work with the industry to establish a regulatory basis that encourages exploration for natural gas from coal in a sound environmental framework.

The Natural Gas in Coal (NGC) Working Group submitted a report to Ministers recommending that the following actions be pursued:

- completing a one-page public document on NGC in Saskatchewan, worded for the layperson, for dissemination to RM offices in areas with NGC development potential;
- continuing to update and refine the department's NGC website information at www.ir.gov.sk.ca/ngc; and
- continuing to develop the geological characterization of the NGC horizons, and conveying this information to the exploration and development companies in an efficient and timely manner. Specifically, supporting the University of Regina in its research on the Mannville coals.

Action 4: Develop the capacity to produce several energy products such as electricity or steam at the same time (polygeneration) to build on the province's natural resources and produce value-added energy products.

A government/industry consortium is undertaking economic and technical feasibility studies for developing a polygeneration facility at Belle Plaine, Saskatchewan. The studies are expected to be completed later in 2007.

Action 5: Explore the potential for additional heavy oil upgrading capacity to add value to the province's heavy oil resources.

Industry and Resources and Crown Investments Corporation (CIC) continue to pursue options for establishing additional heavy oil upgrading capacity in Saskatchewan. One possible option involves current discussions with Husky Energy Inc. to assist in advancing the proposed expansion of Husky's heavy oil upgrader in Lloydminster, Saskatchewan, from approximately 80,000 barrels per day to approximately 150,000 barrels per day.

Action 6: Set out an energy policy that incorporates traditional and alternative energy sources, reflects environmental considerations and examines the potential of new technologies such as hydrogen and crop-related fuels.

Saskatchewan's commitment to a green and prosperous economy required a new energy policy to ensure efficient energy consumption, increase the utilization of renewable energy resources, take advantage of related economic development opportunities, and reduce the environmental impacts associated with the production, transportation and consumption of energy.

A draft of a sustainable energy policy for Saskatchewan was approved by Cabinet in November 2006. Stakeholder consultations followed in January 2007 and would ultimately lead to the release of a public document in June 2007.

Action 7: Work with our partners in research and industry to create a provincial hydrogen strategy.

The provincial hydrogen strategy working group, featuring representation from Industry and Resources, the Saskatchewan Research Council (SRC), Executive Council, SaskPower, SaskEnergy, CIC, Saskatchewan Environment, and the Office of Energy Conservation (OEC), continued its work with industry partners in developing a hydrogen strategy for Saskatchewan. A provincial hydrogen strategy was approved by Cabinet as a component of the draft sustainable energy strategy in November 2006.

Industry and Resources has been working with HTC Hydrogen Technologies Corp, an energy technology company based in Regina, to develop a multi feedstock, pre-commercial, hydrogen production demonstration plant at the University of Regina.

Action 8: Work through the Saskatchewan Research Council and the University of Regina to support further development of hydrogen fuel technology.

The Government of Saskatchewan continues to work with the SRC to develop hydrogen fuel technology. In 2006-07, Industry and Resources provided \$616,000 in funding to the SRC for a Saskatchewan Hydrogen Highway Project, Saskatoon Node. This will include a three-year demonstration project that involves developing a hydrogen supply chain, based on by-product hydrogen production, and subsequent use of hydrogen in seven dual-fuel hydrogen vehicles being operated in Saskatoon.

Action 9: Expand wind power beyond 175 MW of wind capacity as opportunities permit.

The present total wind power capacity is 172 MW, which will rise to approximately 200 MW with the successful completion of SaskPower's Environmentally Preferred Power program.

Action 10: Work with industry partners to encourage the production of ethanol from grain, straw and wood waste, and production of other bio-fuels and bio-fuels from oilseed crops and animal fats.

Saskatchewan Regional Economic and Co-operative Development (RECD) formed a bio-fuels working group to assist in developing appropriate policies to assist the federal government in implementing a national renewable fuels standard and programming. Saskatchewan successfully worked with the federal government to influence policy and programming in order to help ensure farmers were provided an opportunity to participate in this developing industry. A national standard was announced – five per cent ethanol blend in gasoline by 2010 and two per cent biodiesel blend by no later than 2012. Construction on the province's fourth ethanol plant began at Belle Plaine where Terra Grain is building a 150 million litre per year facility. Once operational, this will increase the total ethanol production to approximately 320 million litres per year.

Mining and Minerals

Action 11: Support targeted mining or mineral production incentives to stimulate further development in the industry.

The Potash Production Tax changes are stimulating a significant expansion of the Saskatchewan potash industry, which will help to maintain Saskatchewan's position as the largest potash producer in the world. As a result of these tax changes, the potash industry announced capital investments in the range of \$1.7 billion to expand production at existing potash mines in the province by approximately 26 per cent.

Action 12: Further improve the regulatory environment for mining by working with the industry to streamline regulatory processes.

Industry and Resources led a federal/provincial/territorial Mines Ministers initiative to define the issues associated with regulatory efficiency in the mineral industry.

In 2006-07, a questionnaire was produced to which 12 provinces and territories and five federal line departments responded. A workshop was completed in March 2007 and preliminary results have been generated. Formal recommendations will be made to Mines Ministers in September 2008.

The Saskatchewan Mineral Exploration and Government Advisory Committee (SMEGAC) aided the industry in the preparation of the Best Management Practice guideline #14, "First Nations and Métis Community Engagement."

Action 13: Increase the amount of geoscience information available for companies to use to explore new areas in the province.

Industry and Resources is leading a multifaceted minerals-related geoscience program that involves various partnered initiatives with the federal government and universities to maximize the technical expertise and operational dollars available to build and support a modern geoscience database. This geoscience information is helping focus record levels of mineral exploration.

Three geological mappings were undertaken in the Precambrian Shield of northern Saskatchewan. Several online databases were updated and new maps and reports released, and one airborne geophysical survey was completed over an area west of Cree Lake. In November 2006, in Saskatoon, over 650 delegates attended the Saskatchewan Geological Survey Open House meeting and heard reports on the province's mineral geoscience program.

The 14th Annual Williston Basin Petroleum Conference and Prospect Expo, held in Minot in May 2006, attracted 530 delegates. The North Dakota Petroleum Council joined the North Dakota Geological Survey, the North Dakota Oil and Gas Division, and Saskatchewan Industry and Resources as a co-organizer. The event focused on petroleum industry research and development in the Williston Basin with considerable emphasis placed on describing advances made on Bakken production.

Action 14: Develop policies and processes to facilitate the development of a diamond mine should exploration activity proceed to that stage.

The government continues to monitor activity in diamond exploration in Saskatchewan and is working with the industry and other agencies and stakeholders to ensure an effective and competitive policy framework for the diamond industry, should one be developed in Saskatchewan. Industry and Resources is currently awaiting submission of data associated from the industry to proceed with discussions on development of a diamond royalty system for Saskatchewan.

Action 15: Continue to work with potash producers to promote further investment in Saskatchewan, expansion of existing mines and the development of new potash mines in the province.

Industry and Resources undertook consultations with the Saskatchewan potash industry and potential new investors in the potash industry in Saskatchewan associated with the tax treatment of new investors in potash mines in Saskatchewan. Options were identified and are being examined for their potential long- and short-term impacts.

Action 16: Examine opportunities to establish a Saskatchewan-based market development program that will promote growth in the industry.

Industry and Resources closely monitors market development budgets and spending by the potash industry to ensure that only eligible expenditures may be claimed for the market development tax credit with the Potash Production Tax and that promotion of the use of Saskatchewan potash is an important aspect of the market development activities.

The Potash and Phosphate Institute (PPI) was incorporated into the establishment of a new international organization that will promote the use of balanced fertilization of crops. This organization, the International Plant Nutrition Institute (IPNI), will include fertilizer producers from around the world. Industry and Resources is undertaking a detailed review of this organization and its activities associated with Saskatchewan potash in order to assess the appropriateness and eligibility of the market development tax credit to the IPNI programs.

Action 17: Stimulate further uranium exploration and development by working with the industry and pressing the federal government to address regulatory burdens and duplication.

Significant progress was achieved with the development of an Institutional Control Management Framework (ICMF). The ICMF was approved by Cabinet and work is underway on the development of associated legislation and regulations to implement the ICMF. This involved substantial negotiations with the Canadian Nuclear Safety Commission (CNSC), the federal agency that regulates the nuclear industry in Canada.

The Institutional Control Management Framework allows for sustainable development of the mining industry by ensuring that activities today do not burden future generations. Saskatchewan has worked closely with the Canadian Nuclear Safety Commission to ensure that the policy and framework meet Canada's international obligations, and CNSC requirements with respect to the long-term management of radioactive materials and that the policy and framework will be implemented in an environment of co-operation between the federal and provincial orders of government.

Action 18: Evaluate opportunities for processing and refining uranium in Saskatchewan.

Industry and Resources continues to undertake research into the market conditions for various value-added opportunities associated with the nuclear fuel cycle. Discussions on value-added uranium processing occurred with Saskatchewan uranium producers and other companies involved in the nuclear fuel cycle as part of trade missions in other regions of the world.

Forestry and Forest Products

Action 19: Promote Saskatchewan to the global forest products industry as a jurisdiction offering opportunities and a favourable business climate to attract new investment to fully utilize the sustainable harvest of timber.

A rapidly rising Canadian dollar exchange rate vis-à-vis the American dollar, in combination with the economic impact of the ongoing Canada-United States lumber dispute, forced much of the Canadian wood products industry into crisis during 2005. Work focused on industry restructuring, resulting from the announced closure of Weyerhaeuser's pulp and paper mill in Prince Albert, and the bankruptcy protection sought by Meadow Lake Pulp. Some segments of the industry, notably oriented strand board production, did well and have a bright future. However, pursuing new developments in the growth areas has been delayed until the pulp mill crisis is resolved.

Action 20: Encourage diversification of the primary forest industry, and the development of a value-added wood industry by providing access to high-value wood, technology, markets, and knowledge.

Industry and Resources continues to fund the Saskatchewan Forest Centre (SFC) and a partner agency, Forintek Canada Corporation, to provide technology services to Saskatchewan's wood products industry. The SFC continued to lead and deliver technology transfer services to the forest industry through Forintek Canada.

Action 21: Reduce the environmental impact of forestry by attracting new businesses to process wood residuals such as sawdust and shavings in an industrial process or in energy creation projects.

While some parts of the industry are healthy and prosperous, overall industrial growth is constrained until a future is determined for the pulp and paper sector. Wood-to-energy projects are likely to contribute significantly to the restructuring of the pulp and paper sector.

Electrical co-generation and burning of wood residuals as a stand-alone power source have been identified as potential cost reduction/revenue source strategies for the province's pulp mills.

Industry and Resources worked with technology partner Forintek Canada to identify new forest products business opportunities that offer potential to diversify Saskatchewan's forest sector away from commodity production and toward more value-added products. An example of this work is the review of wood pellet manufacturing opportunities that is currently underway.

Action 22: Build on the Saskatchewan Forest Centre's technology transfer and value-added services with support for its new agroforestry and market development initiatives.

Industry and Resources led a multi-department task team assigned to conduct a review, analysis and preparation of recommendations for development and implementation of an agroforestry program in Saskatchewan.

Agriculture and Value-Added Production

Action 23: Implement the Meat Processing Strategy to attract new and expanded meat processing and manufacturing facilities to the province and add value to a growing livestock industry.

Funding under the Meat Processing Rebate Program of \$1,404,034.50 was made to Natural Valley Farms Inc. An application was also received from 101089599 Saskatchewan Ltd. (Foodco) in March 2007.

The Saskatchewan Food Industry Development Centre received a second payment of \$400,000 in additional funding in 2006-07 and will receive the same amount in 2007-08.

A second payment of \$1.1 million was made to Thomson Meats Ltd. of Melfort in 2006-07 as part of the province's commitment to toll processing. A toll processing facility provides interim production capacity for new and expanding meat processing businesses and allows them to enter commercial markets earlier. Toll processing enhances the capacity of firms to produce small and medium volumes of products on a cost-competitive basis.

Action 24: Support the development of new bio-products and value-added opportunities for the flax, pulse, organic, and biodiesel industries.

Saskatchewan Agriculture and Food has been a participant in the Flax Canada 2015 project led by the flax industry to develop long-term strategies in human health, animal feed, fibre, and industrial products.

The Biodiesel Development Task Force final report was submitted to the government in June. A Bio-fuels Working Group was formed to advise the government on Saskatchewan's potential role in helping to ensure development of the bio-fuel industry.

In 2006-07, Agriculture and Food provided:

- \$3.3 million to the Prairie Agricultural Machinery Institute to create capacity for bio-energy and processing research;
- \$150,000 to the Saskatchewan Research Council for bio-fuel quality testing equipment;
- \$3.3 million to the University of Saskatchewan (U of S) to create an endowment fund for a Research Chair in Food Process Engineering;
- \$159,000 through the Agri-Value Program to support 17 initiatives that varied from bio-fuels to development of food products to marketing initiatives;
- \$200,000 to the Organic Agriculture Centre of Canada to fund two co-ordinator positions;

- \$440,000 to the U of S to increase research capacity in organic production;
- \$50,000 to the Saskatchewan Organic Directorate for project funding for value-added and value chain initiatives;
- \$2.5 million to the U of S for the construction of the Feed Technology Research Facility;
- \$25,000 to Supplied Ag-West Bio Inc. to define rationale, outcomes and governance issues for a bio-fuel/bio-products research centre; and
- a total of \$660,000 to support four research chairs at the U of S. The Strategic Research Program Chairs in Lipid Quality and Utilization, Protein Quality and Utilization, Agriculture Material Utilization and Bioprocess Engineering, and Soil Biological Process each received \$165,000.

Action 25: Foster agriculture diversification and expansion with continued support for research and development and value-added products through organizations such as the Crop Development Centre and the Food Development Centre.

Saskatchewan Agriculture and Food is contributing financially to ongoing success at the Crop Development Centre (CDC). The CDC is involved in crop development through plant breeding, technology transfer and commercialization. For 2006-07, progress in these areas was as follows:

- plant breeding: 12 new crop varieties recommended for registration;
- technology transfer: 114 presentations made; 23 refereed manuscripts; and
- commercialization: five marketing agreements initiated or finalized.

Saskatchewan Agriculture and Food's investment in the Crop Development Centre helps ensure that farmers have crop varieties that meet not only their production needs, but also consumer and processor needs in the traditional food, functional food and industrial bio-products sector. For 2006-07, progress in these areas was as follows:

- product development: 51 product development projects undertaken; 28 completed during fiscal 06/07 and 19 products introduced to the market;
- technology transfer: 3,957 requests for information related to food manufacturing;
- training and seminars: three seminars presented to industry; and
- food safety systems:
 - six facilities assessed for Hazard Analysis Critical Control Points (HACCP) implementation; and
 - 350 individuals trained in HACCP programming.

Action 26: Work with the federal government to restore free market access to the U.S. for our producers and exporters of cattle, beef, and wheat.

Saskatchewan is Canada's largest producer of spring and durum wheat, canola and canola oil, barley, flax, canary seed, mustard and pulses. Over the five-year period from 2001 to 2005, Saskatchewan exported more of these commodities than any other Canadian province.

The Government of Saskatchewan has been advocating for World Trade Organization (WTO) negotiated outcomes for significant reductions to trade distortions, the elimination of export subsidies and increased market access for our exports. Saskatchewan has advanced these positions at federal/provincial/territorial agriculture ministerial meetings and conference calls. In addition, Saskatchewan has pursued these objectives with the federal government in bilateral meetings.

To ensure that Saskatchewan is able to meet and discuss issues pertaining to the negotiations on a timely basis, an industry working group was established. The working group is needed due to the nature of the negotiations and the critical period in the negotiations. The working group is intended to be representative of all of Saskatchewan's agriculture sectors, yet small enough to be convened on a timely basis.

Action 27: Secure a more level international playing field for the province's agricultural producers and exporters through the World Trade Organization negotiations.

The U.S. is a vital market for Saskatchewan exports of wheat, beef and cattle. Saskatchewan ministers and officials raised concerns involving BSE restrictions and the wheat antidumping and countervail duties at meetings with U.S. decision makers. This would include the meetings of the Canada-U.S. Provinces States Advisory Group and various state level and U.S. federal level (including U.S. embassy staff) bilateral meetings.

The U.S. revoked its duties on spring wheat as a result of a NAFTA challenge, but is refusing to refund duties collected prior to the NAFTA ruling. Canada has launched an appeal of the U.S. refusal to refund the duties.

There was no progress on exports of cattle over 30 months of age or beef from such animals.

Action 28: Work with the federal, provincial, and territorial governments to attain favourable revisions to the 60:40 cost-sharing formula for agricultural programming.

Saskatchewan agreed to fully fund the provincial 40 per cent of the costs for the 2003, 2004, 2005, 2006 and 2007 Canadian Agricultural Income Stabilization (CAIS) program. As well, Saskatchewan fully funds 40 per cent of the government costs for the production insurance program.

Saskatchewan and all provinces continue to raise the issue of provincial affordability of Canadian Agricultural Income Stabilization program (CAIS) costs with the federal government. As part of the planning for the Next Generation of Agricultural Policy, federal and provincial governments have been analyzing the issue of affordability through the federal/provincial/territorial funding task team. It is this team's mandate to explore options to address provincial concerns around affordability, volatility and predictability of business risk management costs.

2. Extend our Success in Research and Innovation

Focus on Commercialization of Technology

Action 29: Establish new innovation "incubation" centres at provincial universities and research parks to act as a catalyst to transfer technology innovations to the marketplace.

SpringBoard West Innovations Inc. would be established in April 2007 at the University of Regina (U of R) with funding support from Industry and Resources. SpringBoard West will serve as a focal point for taking technologies developed at the U of R to market, and as a place for industry and entrepreneurs to approach the U of R for assistance in research, and solving technical and business problems. The centre, located at Innovation Place – Regina, will bring together the U of R, businesses, researchers and entrepreneurs, to create a collaborative, interdisciplinary culture of innovation and entrepreneurship.

Action 30: Facilitate the commercialization of new technologies by providing researchers and entrepreneurs with business development assistance and a new venture capital fund.

A venture capital fund was announced in November 2005 to facilitate the commercialization of new technologies by providing researchers and entrepreneurs with business development assistance. The Entrepreneurial Foundation of Saskatchewan and the Saskatchewan Entrepreneurial Fund have been established to assist with the development and growth of small business in the province. CIC will provide up to \$25 million for the fund.

Strengthen our Advanced Technology Sector

Action 31: Support research projects undertaken at the province's universities and research institutions through the Innovation and Science Fund.

The Innovation and Science Fund (ISF) supports leading-edge research opportunities at both the province's universities. The ISF has an annual appropriation of \$9.85 million and is fully subscribed until 2010-11. Since the creation of the Innovation and Science Fund (ISF) in 2000-01, the Government of Saskatchewan has committed \$72 million to the province's universities for research. Investment into ISF fulfills a government commitment made in 2003 and validates the priority placed on research and innovation as a central facet of a strong economy.

Action 32: Work with industry partners and the federal government to:

- enhance the life sciences economic cluster in Saskatoon; and
- promote the cluster's unique capabilities through the development of trade missions to select international regions and attendance at key industrial venues.

Saskatchewan is home to a vibrant and growing life sciences cluster. There is a strong tradition of innovation and multidisciplinary capabilities in life sciences research in Saskatchewan. Life sciences have experienced tremendous growth in the past quarter century, expanding the role of agriculture to include not only food and feed, but also industrial energy alternatives, health, and nutritional products.

In 2006-07, trade missions to Chicago, Australia, New Zealand and India connected Saskatchewan's life sciences businesses, researchers, and industry associations to contacts and economic development opportunities that will enable them to expand the sector.

In 2006-07, the Life Sciences Sector Strategy was completed. The Conference Board of Canada, together with Ag-West Bio Inc., conducted interviews with key sector stakeholders and assessed the industry. Industry and Resources will work with key stakeholders to implement recommendations from the report.

The Canadian Light Source Synchrotron (CLS)

Action 33: Implement a business-friendly industrial science program at the CLS synchrotron to achieve a significant level of industrial usage.

The CLS is recognized by other synchrotrons for setting the standard for creating a business-friendly mode of operation. The CLS industrial program is building on its strengths. Three new beamlines were approved in the latest round of Canada Foundation for Innovation (CFI) funding. This requires a capital expansion of the facility valued at approximately \$40 million.

Action 34: Attract industrial investment related to the synchrotron and the province's other research facilities.

The Saskatoon Enterprise Committee continues to develop a strategic framework to help increase investment and employment related to the CLS and other strategic research infrastructure. The committee is reviewing how government, research institutions and the private sector can collaborate more effectively to attract research-related investment.

Action 35: Expand the CLS facility to provide a wider range of applications related to the province's key economic sectors.

The CLS is focused on expanding the user base at the facility in all fields of scientific research to maximize the return on the investment provided by various institutions, including the capital provided by the Governments of Saskatchewan and Canada. Major experimental facilities are being developed and will be operated in such fields as physics, chemistry, biology, and life sciences, protein crystallography and genomics, environmental chemistry, material characterization and medicine. Through annual use by over 2,000 scientists, predominantly from Canada, but also from around the world, Canada will demonstrate global leadership in synchrotron research and development. The CLS will become the national centre of excellence in synchrotron science and technical applications. Only with such an expanded diverse and dynamic national and international base of users will research efforts spawn viable and commercially relevant applications.

Build a Green and Sustainable Economy

Action 36: Implement a Green Strategy that links environmental sustainability and economic growth through new actions and approaches that include green industries such as: green tourism; promotion of alternative energy solutions such as energy conservation, solar and wind energy; environmental regulatory reform; new approaches to resource allocation; and increased recycling and innovative waste management.

The Green Strategy was to be announced in April 2007. Saskatchewan Environment developed the final framework for the Green Strategy, including its vision, principles, goals, and strategic outcomes, building upon informal and formal consultations, including six Green Forums across the province.

Saskatchewan Environment also led an interdepartmental committee to finalize department-specific actions for inclusion in the final Green Strategy. Saskatchewan Environment also worked with other departments to determine appropriate Green Strategy initiatives to be approved as part of the 2007-08 budget process.

Action 37: Support research in energy development, climate change, and conservation through the Energy Sector Initiatives Fund.

Industry and Resources maintained program funding for the Saskatchewan Petroleum Research Incentive, the Petroleum Technology Research Centre, and the Energy Sector Initiatives Fund. Industry and Resources, together with Saskatchewan Environment, Saskatchewan Regional Economic and Co-operative Development, Saskatchewan Agriculture and Food, Executive Council, Saskatchewan Finance, Crown Investments Corporation, SaskPower, SaskEnergy, the Saskatchewan Research Council and the Office of Energy Conservation, developed a number of initiatives to be supported over a number of years from the General Revenue Fund, federal funding support, and Crown corporation funding. These initiatives, related to the Saskatchewan Energy and Climate Change Plan and the Green Strategy, were to be announced in June 2007, with total funding across several years expected to reach \$188 million.

Action 38: Expand energy conservation activities in the province to cut energy bills and reduce greenhouse gas emissions through the Office of Energy Conservation located at the Regina Research Park.

The Government of Saskatchewan is assisting in the reduction of provincial government, municipal government, and homeowner energy costs and greenhouse gas emissions through a comprehensive package of energy conservation initiatives that maximize financial and technical assistance available through federal and provincial programs.

• Saskatchewan Energy Share

The initiatives under Energy Share were delivered by SaskEnergy, Saskatchewan Finance and Saskatchewan Housing.

- Saskatchewan EnerGuide for Houses Retrofit Grants

There are two parts to this program, before and after the cancellation of the federal EnerGuide Program.

- Federal and Saskatchewan Matching Grant: 5,089 customers received (between April 1, 2006 and March 31, 2007) matching grants for a total of \$3,856,051 with an average grant of \$757.
- Saskatchewan Grant Program: 1,069 customers received a provincial grant (between April 1, 2006 and March 31, 2007) for a total of \$637,266 with an average grant of \$596. Also, as of March 31, 2007, there were 3,160 customers who completed an "A" evaluation and 1,548 customers who completed a "B" evaluation under the Saskatchewan program for a cost of \$706,200.

The total expenditure under this portfolio is \$5,199,517.

- ENERGY STAR® Programmable Thermostat \$45 Rebate

Between April 1, 2006 and March 31, 2007, there were 9,040 customers who participated in the rebate program for a total of \$394,170.

- SaskEnergy's Share the Warmth Home Energy Efficiency Project

As of December 31, 2006, a total of 434 homes received energy efficiency upgrades in 19 communities around the province. The total cost for the project including the materials used in the homes was \$150,000.

- PST Exemption on all ENERGY STAR® qualified furnaces and boilers, and heat pumps

Between April 1, 2006 and March, 31, 2007, there were 55 customers who received a PST grant for a total of \$5,700. It is estimated that up to 7,000 customers were eligible for the point of sale exemption during the year with these customers saving up to \$875,000.

- Saskatchewan Home Energy Improvement Program (SHEIP) for Moderate-Income Homeowners

For the 2006 calendar year, 72 payments to qualifying applicants were made for a total of \$114,708. The average amount of these payments was \$1,455.

- Saskatchewan Home Energy Improvement Program for Low-Income Homeowners

For the 2006 calendar year, 437 payments were made to qualifying applicants for a total of \$1.587 million. The average amount of these payments was \$3,881.

- **Municipal Energy Efficiency Initiative**

From April 1, 2006 to March 31, 2007, 122 municipalities were contacted, 98 were visited, and 88 received written inventory and energy efficiency lighting recommendation reports covering 325 separate buildings. Projected energy savings, if all retrofits were undertaken, amounted to \$101,040, with an associated greenhouse gas (GHG) emissions reduction of 1,191 tonnes per year. Five communities have participated in the solar heating swimming pool initiative since the program's inception, and at least two more are committed pending final word on federal financing.

- **Saskatchewan R-2000 Home Program**

From April 1, 2006 to March 31, 2007, there were 246 new residences enrolled in the initiative, which is 44.7 per cent greater than the target for this fiscal year. In addition, 119 of these homes had energy efficient fan motors installed under this initiative. The province continues to have the most successful R-2000 program in Canada. A new initiative, Energy Star® for New Homes, has been started with the Saskatchewan Homebuilders Association.

- **Green Shorts**

First batch of Green Shorts began airing in mid March (2006), continuing throughout April-May 2006. Streaming of "shorts" was added to the OEC website in 2007.

- **Saskatchewan New Government Building Initiative**

Of the 91 buildings that have been identified since the start of the initiative, 89 definitely fall under the policy. All are in various stages from announcement, through design, construction and operation. Figures for 19 of the buildings for which data is available indicate that annual energy savings are projected to be over \$680,000 and annual greenhouse gas (GHG) emissions are expected to be over 6,100 tonnes. Federal energy grants for 22 of these buildings total over \$915,000. Thirty-two buildings have been in operation long enough for OEC to begin analyzing their actual performance based on their energy consumption records. It would appear that for the 10 buildings that had been analyzed by March 31, the 25 per cent energy reduction target was being achieved on average, although there are buildings that are not achieving the target. These are being reinvestigated with the individual clients.

- **Energy Conservation Retrofit Planning for Small Businesses**

OEC pays the Saskatchewan Environmental Society to undertake energy audits for small businesses and not for profit organizations. In 2006-07, a follow-up evaluation was conducted on the 22 facilities audited. Two-thirds of the businesses had undertaken some retrofit activities, resulting in an annual energy saving of 439 gigajoules (GJ) and an annual GHG reduction of 45 tonnes.

Action 39: Promote emerging technologies for sustainable community development through the Communities of Tomorrow (CT) research partnership between the University of Regina, the National Research Council and the City of Regina.

CT has moved to a new process for funding applications that allows for proposals to be submitted any time to the CT management committee. The focus of CT has also been refined to projects targeting sustainable infrastructure. Although the number of proposals has dropped significantly, the quality and potential for commercialization of the projects being approved for funding has greatly increased due to the demand to replace aging infrastructure of cities.

Action 40: Develop incentives to encourage business development and growth in green technologies.

Industry and Resources partnered with Saskatchewan Environment to create a three-year \$1 million/year Green Technology Commercialization grant for Saskatchewan small and medium-sized business. This funding is aimed at proven technologies that are experiencing a financial barrier to commercialization. The Saskatchewan Environmental Industry and Managers Association (SEIMA) has been contracted to assist with program promotion, project identification and review. Applications are now being received and reviewed for funding by the combined SE-IR-RECD interdepartmental management committee.

3. Enhance and Promote our Competitive Advantages

Sharpen our Competitive Edge

Action 41: Receive findings of the Saskatchewan Business Tax Review Committee and continue to improve business tax competitiveness.

The Saskatchewan Business Tax Review Committee provided the Minister of Finance its findings on November 24, 2005, for use in the 2006-07 budget development process.

The 2006-07 Saskatchewan Budget announced major reforms to the provincial business tax system, to be implemented over three years and completed by July 1, 2008. Key components of business tax reform include eliminating the general Corporation Capital Tax (CCT) and re-structuring the Corporation Income Tax (CIT) system, including a reduced general tax rate, an expanded small business threshold and a refundable tax credit for capital investments in the value-added sector. Together, these initiatives help promote sustainable economic development and expanded employment opportunities for all Saskatchewan residents, particularly young people.

Business tax reform commitments include:

- \$95.3 million in 2006-07 for business tax reform.

Effective April 7, 2006, the Investment Tax Credit for manufacturing and process capital acquisitions was converted into a refundable tax credit for all capital acquisitions.

Effective July 1, 2006:

- General CCT rate was reduced from 0.6 per cent to 0.3 per cent on existing capital and to zero on new capital investment;
- CCT Resource Surcharge rates on resource production were reduced;
- General CIT rate was reduced from 17 per cent to 14 per cent; and
- Small business threshold increased from \$300,000 to \$400,000.

- \$155.8 million in 2007-08 for business tax reform. Effective July 1, 2007:
 - General CCT rate was reduced from 0.3 per cent to 0.15 per cent;
 - CCT Resource Surcharge rates on resource production further reduced;
 - General CIT rate was reduced from 14 per cent to 13 per cent; and
 - Small business threshold increased from \$400,000 to \$450,000.
- \$178.5 million in 2008-09 for business tax reform. Effective July 1, 2008:
 - General CCT rate will be fully eliminated;
 - CCT Resource Surcharge rates on resource production will be further reduced;
 - General CIT rate will be reduced from 13 per cent to 12 per cent; and
 - Small business threshold will be increased from \$450,000 to \$500,000.
- \$190.0 million in 2009-10 for business tax reform when fully implemented.

Action 42: Create new partnerships with business and industry to streamline and harmonize business regulations and support economic growth while protecting the environment.

Industry and Resources officials are leading a federal/provincial/territorial regulatory efficiency initiative for the mining sector. Industry and Resources conducted a survey of government officials representing five federal regulating departments, 12 provinces and territories, and industry, to identify regulatory issues, best practices and possible solutions. Industry and Resources also organized a workshop with government and the mining industry to prioritize issues and recommend projects to enhance regulatory efficiencies. The department plans to present recommendations to the Mines Ministers' Conference in September 2007.

Action 43: Further enhance access to government services for new and expanding businesses through a one-stop website.

Industry and Resources co-ordinated a new interactive one-stop website for Business Permits and Licenses (BizPaL) (<http://www.bizpal.gov.sk.ca/Wizard/Welcome.aspx>) in partnership with other provincial departments and federal and municipal governments. The City of Saskatoon was the first Saskatchewan municipality to launch BizPaL in 2007, and there are now eight cities and a total of 25 municipalities online in the province. Over the next year, Industry and Resources will work to increase the number of municipalities and the different types of businesses covered by BizPaL. Saskatchewan now has more municipalities participating in BizPaL than any other Canadian jurisdiction.

Action 44: Benchmark Saskatchewan's competitiveness in relation to other jurisdictions to identify areas where we can make improvements.

KPMG compared the cost of doing business in nine countries, including the G7, the Netherlands, and Singapore. Moose Jaw and Prince Albert ranked sixth and seventh respectively out of all 128 cities studied by KPMG. Saskatoon and Regina were also in the top quarter of all cities surveyed.

Saskatoon was ranked the lowest cost jurisdiction among 21 featured cities from the North American Midwest, moving up from a second-place ranking in the previous survey (2004). Saskatoon offered the lowest costs for bio-medical research and development among the 21 Midwest cities, the lowest costs on web and multi-media businesses, the lowest cost location for call centres, and the third lowest cost environment for agri-food businesses. Provincial corporate tax reductions in 2006-07 made Saskatchewan's business environment even more competitive and contributed to business growth and more jobs over the last year.

Produce a Highly Skilled and Educated Workforce

The Government of Saskatchewan is committed to making post-secondary education accessible and affordable to a wider range of Saskatchewan people so that they can build their careers and future here. Saskatchewan is already investing more per capita on post-secondary education and training than any other province in Canada. University tuition has been frozen for three years and our young people have access to financial supports while studying and are eligible for a graduate tax exemption early in their careers.

Action 45: Expand the Saskatchewan Student Bursary to help reduce the cost of post-secondary education for nearly 10,000 students.

The Saskatchewan Student Bursary has been an ongoing source of financial support for students since it was introduced in 1998-99. Approximately 10,000 bursaries are awarded annually valued at approximately \$16 million. In 2005-06, \$3.4 million was provided to expand the Saskatchewan Bursary Program by increasing bursary assistance for up to 10,000 students. Bursary assistance has been increased from \$75 per week to \$110 per week.

Also in 2006-07, \$3.8 million of additional funding was made available for the Provincial Training Allowance with an average \$60 per client per month increase at a cost of \$1.8 million; the Centennial Merit Scholarships were increased by an additional \$500,000; and a tuition freeze for the second consecutive year represented an investment of \$17.8 million.

Action 46: Further expand training opportunities within the province, building on the recent increase of 1,000 new spaces in adult basic education, apprenticeship, and work-based training – including retraining opportunities to help employees deal with workplace and technological changes.

An additional \$15.5 million investment to benefit Saskatchewan learners created 2,759 training and employment preparation opportunities. There was an expansion in the number of Adult Basic Education (ABE) seats by 336 at a cost of \$1.25 million that reduced wait lists and provided upgrading so individuals can continue on their career paths.

Additional support (\$134,000) was provided to the Apprenticeship and Trade Certification Commission (ATCC) to increase apprenticeship training opportunities by at least 105 seats. Expansions to the ATCC pilot projects program will benefit up to 5,000 students in the first year.

There was an increase in the number of opportunities through JobStart/Future Skills by 1,375 at a cost of \$2.54 million. This number includes 250 in regional colleges and 98 through Saskatchewan Institute of Applied Science and Technology (SIAST) in the Saskatchewan Skills Extension Program and Quick Skills. There were 1,293 opportunities created through investments in programming at SIAST and regional colleges. These opportunities help training institutions manage labour market demands.

An additional \$13.3 million was invested to create opportunities for another 2,584 learners in the areas of health education, trades and skills, and basic education.

Action 47: Continue the Post-Secondary Graduate Tax Credit (with phased-in increases up to \$1,000 by 2007) for all post-secondary graduates working in Saskatchewan following graduation.

The one-time tax credit for post-secondary graduates rose to \$850 in 2006. In 2007, a new Graduate Tax Exemption will take effect. The new exemption replaces the Graduate Tax Credit and increases the amount of income earned by a graduate that will be exempt from tax by \$10,000 per year, or \$50,000 during the first five years following graduation. Unused exemptions from each year may be carried forward for an additional five years providing a 10-year window for claiming the exemption. This exemption results in new graduates qualifying for a Saskatchewan tax reduction of \$1,100 per year, or \$5,500 in total over the full eligibility period. This is substantially more generous than the current Graduate Tax Credit (\$850 in 2006), which provides a tax credit that is equivalent to exempting about \$7,730 in income and carried forward for four years.

Action 48: Increase province-wide access to technology-enhanced learning and e-learning.

There were 483 online and televised courses or course segments, and learning resources to support courses available or being developed at the universities, SIAST and the Aboriginal institutions, including 87 new developments approved for funding.

Immigration**Action 49: Partner with the federal government and community and stakeholder organizations to increase the capacity of communities to settle and retain immigrants.**

An investment of \$6.3 million (up from \$1.7 million in 2005-06) was made for a comprehensive immigration strategy that will attract more immigrants to Saskatchewan and help them settle in the province's communities and labour force. To help immigrants settle in Saskatchewan, the province is providing \$150,000 in funding to four settlement agencies.

Action 50: Work with industry and employers to enhance access to foreign skilled workers to meet labour market needs.

The province is well on its way to meeting and exceeding its target of 5,000 immigrants annually by 2008 under the Saskatchewan Immigrant Nominee Program (SINP). In 2006, the SINP issued 1,027 nominations, which would eventually result in approximately 3,100 immigrants, including spouses and dependants. This was an increase of more than 150 per cent compared to 2005. Landings in Saskatchewan are on the rise as well, mostly reflecting the higher number of nominations. According to preliminary data from Citizenship and Immigration Canada, 2,658 immigrants were destined for Saskatchewan in 2006, a 26 per cent increase from the previous year.

Action 51: Expand the Saskatchewan Immigrant Nominee Program and make it more flexible for immigrants who want to own and operate a business in the province.

An incremental \$1.3 million has been allocated for the SINP. In May 2006, the SINP Entrepreneur category was introduced to replace the Business category and create greater program flexibility. Key changes from the previous SINP Business category include:

- allowing business proposals in any industry to apply rather than restricting by sector;
- allowing any type of business to apply rather than restricting to businesses that provide secondary or tertiary processing, bring new technology to Saskatchewan, or increase market access;
- allowing the purchase of existing businesses;
- relaxing criteria that the applicant must have previous business experience to include management experience;
- eliminating a requirement to create a job for a Saskatchewan resident;
- requiring business planning visits of five working days rather than the current two-day visits; and
- introducing net worth, minimum investment and "good faith" cash deposit requirements.

Action 52: Provide additional language training opportunities for immigrants to improve their employment readiness.

The Immigration Branch offered a total of 300 language training seats. Language training programs were delivered in Regina, Saskatoon, North Battleford and surrounding communities, Tisdale and surrounding communities, and Swift Current and surrounding communities.

Expand and Strengthen our Infrastructure

Action 53: Strengthen the transportation infrastructure through highway twinning initiatives, forestry road upgrades, rural and northern highway reconstruction and targeted investments, such as bridge upgrades and safety improvements.

During the reporting period, Highways and Transportation invested:

- \$50.4 million through the Strategic Infrastructure Fund (CSIF) cost-share programs and opened a total of 42 kilometres of twinned highway on Highway 1 East and Highway 16 West;
- \$18.76 million through the Prairie Grain Roads Program (PGRP), to upgrade 70 kilometres of Thin Membrane Surface (TMS) highways;
- \$4.2 million on twinning Highway 11, completing seven kilometres of grading from north of Warman to north of Osler;
- \$2.9 million towards forestry Road Transportation Agreements with Weyerhaeuser;
- as part of the Northern Economic Infrastructure Strategy, \$2 million towards: rebuilding the Garson Lake Road, Highway 956, as part of the link to Fort McMurray, Alberta; beginning construction of the Wollaston Lake access road, Highway 955; and paving four kilometres on Highway 918, the Patuanak access road. In addition, \$2.18 million of work was advanced in 2005-06, of which \$1.87 million was expended and \$308,900 was carried over to 2006-07. Work included crushing and stockpiling in the vicinity of Beauval on Highway 155 and two clearing projects and design work on the Garson Lake Road;
- \$28.1 million in addition to the Northern Economic Infrastructure Strategy to preserve, operate and improve provincial highways, bridges and airports in northern Saskatchewan;
- \$825,600 for 33 safety improvement projects under the Safety Improvement Program;

- \$1.7 million towards improving economic and community connections to the Shoal Lake and Red Earth First Nations; and
- \$10.3 million in its bridge programs, including the completion of five bridge rehabilitations, 11 replacements, and 65 bridge repairs.

In addition, on March 6, 2007, the Government of Saskatchewan announced a 10-year plan that will invest \$5 billion in an innovative new strategy, Transportation for Economic Advantage, to fundamentally realign Saskatchewan's transportation network to meet the current and future needs of the province's thriving export-based economy.

Action 54: Invest in projects under the Canada-Saskatchewan Municipal Rural Infrastructure Fund with an emphasis on green municipal infrastructure and transportation infrastructure projects that will support economic activity in the province.

The government processed the second intake of applications under the Canada-Saskatchewan Municipal Rural Infrastructure Fund (MRIF), with 113 projects recommended for approval. Projects include: water supply projects, wastewater projects, solid waste management and recycling projects, projects to improve the energy efficiency of municipal facilities, local transportation projects (streets, roads, bridges) and culture and recreation facility projects.

Action 55: Build healthier, safer and more supportive learning environments with investments in our educational infrastructure, including:

- continued support for capital projects at our universities; and
- continued support for major capital projects in the K-12 system, SIAST, and regional colleges, as well as education maintenance and renovation projects throughout the province.

A total of \$5.1 million has been allocated for equipment upgrades to support labour market initiatives. This includes \$2.37 million for the Kelsey Campus of SIAST for upgrades in equipment in the Power Engineering and Industrial Mechanics programs, which enables students in these

programs to be trained on up-to-date equipment they will use in the workplace. Wascana Campus also received in excess of \$1 million as part of this mid-year investment to develop an inter-professional health simulation lab allowing students to practice real life situations in a controlled environment. Mid-year capital investments were made: \$2.8 million went toward the purchase of two mobile training labs; Palliser Campus received \$3.9 million for renovations for additional classrooms and improvements to the Instrumentation Program; and, \$0.6 million was provided to Kelsey to complete an addition and renovation project that began in 2005-06.

The government is investing \$23.6 million to fund continuing construction of the U of R Laboratory Building addition. This funding is in addition to the \$36.6 million government has already invested in the Laboratory Building addition since 2002 and will enable the U of R to complete the building by summer 2008. This state-of-the-art facility will be an important means of attracting top researchers, teachers, and students to the university.

Action 56: Complete expansion to 35 northern First Nations communities and 71 other communities so that all homes, businesses and schools in Saskatchewan communities with more than 200 people will have access to high-speed Internet.

In 2007, SaskTel announced that the final phase of its \$28 million expansion and improvement program will improve digital cellular service at 31 locations across the province. An additional \$2.4 million will be invested to expand service to eight previously unserved northern communities. When the current expansion is complete at the end of 2008, SaskTel digital cellular service will be available to more than 96 per cent of the Saskatchewan population, and SaskTel will have invested over \$122 million in digital cellular service since 1998.

Action 57: Implement the federal New Deal for Cities and Communities, focusing on the infrastructure gap in municipalities and supporting economic, social, and environmental development.

In August 2005, the provincial government signed a 10-year agreement with the federal government on the transfer of federal gas tax revenues. In 2006-07, \$16.2 million of federal funding was paid to 245 municipalities for environmentally sustainable municipal infrastructure projects, such as roads and bridges, water, wastewater, community energy, solid waste and public transit, as well as municipal capacity building projects.

Promote Saskatchewan's Benefits and Products

Action 58: Partner with business to send Team Saskatchewan missions to markets around the world to build business relationships and generate leads in key sectors.

Business and community representatives have been engaged in the development and planning of missions to the province's priority markets. Greater concentration has been directed to expanding contributions from the business community in the identification and development of target markets and missions: this ensures the best results in terms of market selection, the value of the effort and the final product delivered through the mission and the business contacts on the ground. Over 50 business and community representatives have taken part in the current-year missions. Missions in the 2006-07 fiscal year included Chicago, Australia, New Zealand and India.

Action 59: Continue support for the Saskatchewan Trade and Export Partnership (STEP) to assist exporters in reaching new markets, including short-term financing.

Industry and Resources increased third-party operating funding for STEP in the amount of \$200,000 per year effective April 1, 2005 – this brought its annual funding received to \$2,791,000. This increase in annual operating funding to STEP was to assist new exporters and to increase analysis of new markets.

Action 60: Work with Canada's embassies and consulates around the world to promote Saskatchewan's competitive advantages and investment opportunities.

Industry and Resources continues to work with Canadian consulate officials to inform them of opportunities to invest and do business in Saskatchewan so they are able to refer business to the province. Industry and Resources increased its contact efforts with a number of key consulate and embassies with emphasis on investment attraction leads, and as well to provide information on the Innovative by Nature campaign.

4. Broaden our Economy, Workforce, and Jobs

Support Manufacturing and Business Growth

Action 61: Partner with the private sector to establish an entrepreneurial venture capital fund to provide capital for business start-up and expansion requiring less than \$1 million.

CIC and SaskCentral (on behalf of Saskatchewan's credit unions) established The Entrepreneurial Foundation of Saskatchewan (EFS) and The Saskatchewan Entrepreneurial Fund (SEF) in November 2005.

The Foundation provides business advice, mentoring, and support services to help existing and aspiring entrepreneurs develop investment-ready business plans. The Foundation is also a gateway to the Fund, which provides investment financing of up to \$1 million to start-up and expanding Saskatchewan businesses.

CIC has committed up to \$1.8 million in operating capital for the Foundation over five years. CIC's contribution for 2006 was \$380,000. The Fund is initially capitalized at \$11 million, with CIC and a syndication of credit unions through SaskCentral as the founding partners.

In 2006-07, both the Foundation and Fund were focused on building their organizations and achieved the following milestones.

- In partnership with five other organizations, the Foundation helped to establish a new Entrepreneurial Centre, a one-stop shop for business advice, start-up mentorship, and funding opportunities, located at Innovation Place in Saskatoon.
- The Foundation, which has offices in Saskatoon and Regina, received 273 inquiries in 2006 and made four investment recommendations to the Fund. Three additional deals closed with outside financing.
- To date, the Fund has approved three investments.

Action 62: Through Investment Saskatchewan, invest in provincial companies that show growth potential.

In the period beginning April 1, 2006 and ending March 31, 2007, Investment Saskatchewan disbursed investment funding to the following:

- Performance Plants Inc. – \$6.0 million
- Beauval Forest Industries – \$700,000
- Foragen Technologies Limited Partnership – \$550,000
- Solido Design Automation Inc. – \$2.5 million
- Prairie Ventures Limited Partnership – \$2.8 million
- Clinicare Corporation – \$3.0 million
- Quantec Geoscience Ltd. – \$1.0 million
- Targeted Growth Inc. – \$3.0 million
- Universal Energy Group – \$3.0 million

Action 63: Provide support for young entrepreneurs and small businesses through an expanded Small Business Loans Association Program.

The Small Business Loans Association Program provided over \$4 million in loan funding to more than 378 new and existing businesses. This funding helped to create 575 new jobs and maintain 797 existing jobs.

Action 64: Attract investment and promote consortiums that encourage partnerships, technology transfer and skill development to retain and expand businesses and make them more competitive internationally.

Examples of successful investment attraction initiatives included Horizon Manufacturing Inc. (pet food) that set up a 20,000 square foot facility and established 15 jobs in Rosthern, and BP Oil in Melfort that set up a 35,000 square foot facility and established 35 jobs.

The following are some of the companies that worked with officials from Industry and Resources to expand their operations in Saskatchewan in 2006-07.

- Industrial Machine did an expansion of 7,500 square feet in Saskatoon and added 15 jobs.
- Vecima Networks (formerly VCom) moved into the old post office building in Saskatoon and added over 100 jobs.
- New Holland's 15,000 square foot expansion in Saskatoon added 100 jobs.
- Doepker Industries bought Precision Metal Fabrication facility in Saskatoon and added over 35,000 square feet and 50 new jobs.
- IPSCO in Regina expanded its research and investment facility and its large diameter pipe-making facility, adding 25 jobs.

In terms of consortium development, there have been six new companies that have taken value stream mapping training this year, and five different seminars on lean manufacturing have been held in Swift Current, Moose Jaw, Regina, Estevan and Yorkton. These seminars were attended by over 80 different Saskatchewan-based manufacturing and processing firms.

Action 65: Promote our manufacturing sector as the advanced, vibrant sector it is, and exhibit the province's capabilities at targeted trade shows and investment attraction events.

A new manufacturing trade show booth and updated promotional materials have been developed and are being used at strategic trade shows and events.

Tourism

Action 66: Increase funding to Tourism Saskatchewan to strengthen marketing and development initiatives to generate more visitor spending in the province.

Industry and Resources increased third-party operating funding for Tourism Saskatchewan in the amount of \$727,000 effective April 1, 2005. This brought its annual funding to \$7,892,000.

Action 67: Establish tourist "destination points" featuring several attractions centred around unique themes to draw more visitors to the province.

Tourism Saskatchewan has researched resort and destination planning approaches used in other jurisdictions, and has used this information in the development of the draft destination-area planning document to be used by communities and industry. Tourism Saskatchewan is working with stakeholders within the Lake Diefenbaker destination area on a pilot project to test the planning process. Tourism Saskatchewan is also committed to the continuation of the Tourism Community Champions workshop, which has been delivered in 12 communities to 157 participants. This workshop includes focusing on community and regional tourism development planning. A Community Champion Forum was held September 2006 in Saskatoon.

Film and Cultural Industries

Action 68: Identify and enhance the benefits of the film industry to the province through the Saskatchewan Film Employment Tax Credit.

A review of the film industry completed in 2005 identified a lack of labour market capacity, which limited the opportunities for growth and improved economic and cultural impacts. Since that time, Culture, Youth and Recreation has financially supported a program of the Saskatchewan Motion Picture Association (SMPA) that provides professional development support to the industry. The program, initially called Crew Call, and now referred to as the Career Development Program, continued in its efforts through training programs and workshops on protocol/safety, freelance business skills, continuity/script supervision, lighting/electrics, background performance, and other skills.

As well, SMPA served as the industry advisor to Advanced Education and Employment regarding the provision of Job Start/Future Skills support for on the job training. Training support was provided for in excess of 100 individuals from entry level to mid-career professionals. Culture, Youth and Recreation worked with SMPA to ensure these resources were carefully targeted to areas where there are gaps in the industry and were strategically linked to other capacity development incentives such as the key bonus and the deeming provision of the tax credit program. Finally, Culture, Youth and Recreation worked with SMPA to develop a broad strategic approach to capacity development in the film industry. Over the coming year, the plan will be resourced and implementation will begin.

Action 69: Provide film-related training opportunities to build capacity within the province to support the film industry.

New provisions were added in 2005-06 to the Film Employment Tax Credit program to enhance the economic benefits of the program to Saskatchewan. The changes made to the Film Employment Tax Credit are designed to enhance the development of local human resource capacity in the film industry, to improve the economic benefits of government investment in the film industry, and to ensure that incentives to film producers in Saskatchewan remain competitive when compared to incentives in other jurisdictions.

A 25 per cent cap on deeming was introduced. Under the deeming provision, non-residents of Saskatchewan may be deemed Saskatchewan residents for the purpose of the film tax credit. Non-residents are mostly used where there are no local personnel to occupy a given position. The base tax credit rate was also raised from 35 per cent to 45 per cent of total eligible labour.

Engage More People in the Workforce

Youth

Action 70: Continue the Youth Opportunities Unleashed program to help young entrepreneurs realize their business ambitions with financing, training and mentorship.

The Youth Opportunities Unleashed (YOU) Initiative provided \$557,461 in loan funding to 46 new and existing businesses in 2006-07.

During fiscal 2005-06, the concept of a Business Mentorship Institute was developed and the institute was formally launched in January 2006. Four chapters have been formed in North Battleford, Grayson, La Ronge and Swift Current. Plans are underway to launch the youth mentorship component early in 2007-08. Over \$900,000 has been secured to develop this project over the next three years. The Counseling Foundation of Canada, founded by the late Frank G. Lawson, is a family foundation dedicated to the creation and enrichment of counseling programs. The foundation has provided funding of \$450,000.

The Western Economic Partnership Agreement (WEPA), a joint federal/provincial initiative aimed at fostering economic activity and improving quality of life in communities across Western Canada, is providing matching funding of \$450,000.

Action 71: Improve student transitions from Grade 12 to post-secondary education or work-based learning opportunities and apprenticeship through career information and awareness initiatives.

The Government of Saskatchewan recognizes the importance of work readiness programs that support successful high school transitions. Saskatchewan has over 30 provincial curricula in practical and applied arts.

The Department of Advanced Education and Employment and the Saskatchewan Apprenticeship and Trade Certification Commission have partnered to establish the enhanced Saskatchewan Youth Apprenticeship Program. The program is a high school-to-apprenticeship program that offers curricula in eight designated trades, including: autobody; construction/carpentry; commercial cooking; cosmetology; electrical/electronics; mechanics/automotive; machining; and welding.

Students are eligible to receive high school and apprenticeship credit for successful completion of curriculum and work placements. New funding of \$134,000 was announced for the Saskatchewan Apprenticeship and Trade Certification Commission (SATCC) to assist with province-wide expansion of the enhanced Youth Apprenticeship Program. The SATCC is contributing \$100,000 per year to the program from internal resources that would enable as many as 5,000 high school students to be registered as youth apprentices in 2006-07.

Increased promotion and awareness initiatives will be undertaken and students will be signed up as Youth Apprentices, which will entitle them to earn time credit to be applied to their total working hours, waived registration and Level 1 tuition fees.

Action 72: Partner with schools in rural, urban and northern Saskatchewan to launch five high school-to-apprenticeship pilot projects.

The Saskatchewan Youth Apprenticeship Program was implemented province-wide in the fall of 2006. After four months, schools have requested student registration materials for just over 2,500 youth apprentices. Saskatchewan Apprenticeship and Trade Certification Commission provides three specific benefits to students who register as apprentices within three years following graduation:

- waiver of registration fee (\$150);
- time credit of up to 300 hours granted; and
- waiver of first level of technical training tuition.

Action 73: Increase awareness among young people of the many business and career opportunities in Saskatchewan through programs such as the 2005 *Your Future is Here* campaign, and SaskYouth.net, an online resource of opportunities for youth.

Industry and Resources is working with partner organizations to encourage young people to establish their careers in Saskatchewan through marketing activities such as the Youth Friendly Workplace program, launched in partnership with the Saskatchewan Chamber of Commerce. As well, the department helps fund the Rotary Clubs' My Future is Here program.

In September 2006, Industry and Resources, along with the Saskatchewan Chamber of Commerce, and the Regina Homebuilders Association, launched the Youth Friendly Workplace program to encourage greater awareness of best practices to attract and retain young people in the workforce. Industry and Resources has worked with Advanced Education and Employment to enable designated employers to use the program logo on their job listings posted to saskjobs.ca.

SaskYouth.net, Culture, Youth and Recreation's youth-oriented website, is a portal website targeted towards 14 - 29 year-olds living in Saskatchewan or interested in finding out more about Saskatchewan. The website builds youth familiarity with government and provides youth access to the information (both government and non-government) they need to reach their fullest potential. For more information about the Saskatchewan Youth Project Awards, visit www.saskyouth.net.

The Quality of Life campaign and specifically the www.saskatchewan.ca website is a unique marketing tool to attract people from across the country and retain people in Saskatchewan. This interactive website offers information about the opportunities that exist in Saskatchewan, including education, employment and business, and encourages people to share their success stories.

A campaign was launched to promote saskjobs.ca in May 2006 with newspaper ads, billboards and a letter outlining the benefits of the site sent to over 32,000 employers across the province.

The first Saskatchewan Youth Summit was held at TCU Place in Saskatoon, February 2 and 3. The Youth Summit brought together young people from the province with representatives from business, education and training, labour and government. Breakout sessions featured discussion in a number of key areas, including: youth friendly workplaces; building an inclusive Saskatchewan; cool communities; "making it happen" and Saskatchewan in 2020. The Saskatchewan Youth Summit is part of the government's commitment to make Saskatchewan the best place for young people to live, work and build their future.

First Nations and Métis People

Action 74: Work in partnership with First Nations and Métis-led agencies and educational institutions to equip and engage First Nations and Métis people in broadening the economy.

For the first time ever, the Government of Saskatchewan provided funding to Saskatchewan Indian Institute of Technologies (SIIT) to deliver off-reserve Adult Basic Education programming in Regina, Saskatoon, La Ronge and Fort Qu'Appelle. Funding of \$332,000 provided an additional 83 seats. Also included was \$586,000 for the Provincial Training Allowance.

In November 2006, additional funding of \$1.59 million was announced for SIIT, including \$330,000 to create 80 new Adult Basic Education opportunities, and \$260,000 to create 35 new skills training opportunities.

Successes and opportunities in Aboriginal business and economic development were the focus of a national symposium in Saskatchewan, one of the largest ever hosted by the province. The invitation-based event, Excellence in Action: Best Practices in First Nations, Métis and Inuit Economic Development, took place January 23 - 25, 2007, at TCU Place in Saskatoon. The objectives of the symposium were to showcase successful First Nations, Métis, and Inuit economic development projects; and, to identify policies and approaches which create the best environment for success.

A report from the symposium is expected in the 2007-08 fiscal year. Almost 700 people from across Canada – including the Premiers of British Columbia, Manitoba, Newfoundland and Labrador, Nunavut, and the North West Territories, and key Aboriginal leaders – were in attendance for the event.

Action 75: Provide funding for equity, community development initiatives, and skills development to new and existing Métis businesses through the Clarence Campeau Development Fund (CCDF).

In 2006, the CCDF entered into a service agreement with Saskatchewan First Nations and Métis Relations through the First Nations and Métis Economic Development Program to provide grants to Métis entrepreneurs and communities establishing businesses in key growth sectors of the province. The CCDF is also working closely with CIC and Westcap Ltd. to support Métis businesses through the First Nations and Métis Fund.

In 2006-07, CCDF worked in partnership with the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations to deliver the highly successful national symposium on Best Practices in First Nations, Métis and Inuit Economic Development.

The First Nations and Métis Economic Development Program is providing \$5 million over four years to First Nations and Métis entrepreneurs, as well as organizations such as Bands and Métis groups, to purchase businesses, start new business or expand existing operations within the key sectors of the provincial economy.

Action 76: Expand partnerships through the First Nations and Métis Employment Development Program to promote stay-in-school messages, encourage career planning, link training directly to jobs and break down barriers to the employment of First Nations and Métis people.

The Aboriginal Employment Development Program (AEDP) works collaboratively with employers, organized labour and Aboriginal people to affect broad systemic change with a cost effective strategy to prepare Saskatchewan's workplaces for changing demographics and the future workforce.

AEDP signed seven partnership agreements in 2006-07, including partnerships with: Regina Qu'Appelle Health Region, its affiliates and unions; the Community of Nipawin, Service Canada and Indian and Northern Affairs Canada (INAC); Saskatchewan School Boards Association and Saskatchewan Learning; Saskatchewan Public Service Commission; Kawacatoose First Nation and INAC; Keewatin Yatthé Regional Health Authority, its affiliates and unions; and Little Black Bear First Nation and INAC.

Action 77: Continue support for the Multi-Party Training Plans in the forestry and mining sectors to train First Nations and Métis people and northern residents to work in those industries.

The province allocated \$2,136 million for this fiscal period, for continued support to the Multi-Party Training Plan for the mineral sector, forestry training and other northern training.

Harness the Economic Potential of our Regions

Action 78: Work with municipal and other partners to leverage local networks, retain and expand businesses and attract new investment.

During 2006-07, the government provided funding of \$2,550,000 for 28 Rural Economic Development Associations (REDAs), as based on local matching of \$40,000 for core funding, 50 per cent for project funding, and 25 per cent for youth employment. REDAs are involved in more than 150 projects and initiatives in various stages of development with the assistance of matching core funding.

Since 1998-99, the REDA Enhancement Fund resources have leveraged investment of nearly \$5.3 million towards 238 projects and have realized capital investment to date of over \$89 million in these projects. These projects have impacted the creation of 468 jobs and maintained another 226 jobs. The REDA Youth Program has provided 156 employment opportunities for youth within 26 REDA regions. Forty-three per cent of the past participants have secured full-time positions in an economic development related field.

Action 79: Work with our partners in education and industry to increase the capacity of regional colleges to respond to industry needs for skilled labour with operational and training funding.

In November 2006, Advanced Education and Employment provided mid-year allocations totaling \$13.3 million for training. The new money created 2,584 new training opportunities throughout the province, and provided capital for the purchase of operation items such as a power engineering lab, diamond drilling equipment and a heavy equipment simulator. Additional funding of \$2.8 million was also provided for the purchase of two mobile training labs to take training on the road to students and industry.

Action 80: Continue support for northern regional economic development and encourage increased ownership and participation by northern residents and companies in small businesses and larger corporate enterprises.

Saskatchewan Northern Affairs, through its Northern Development Fund (NDF), approved 10 commercial loans for a total of \$1,540,900. This resulted in the creation/maintenance of 30 jobs. Northern Affairs also approved 54 primary production loans for a total of \$268,958, creating/maintaining 59 jobs.

Northern Affairs approved 33 NDF grants totaling \$208,506, and funded four Regional Development Corporations for \$228,000.

Action 81: Support Northlands College in its delivery of post-secondary education and training in the north.

An increase of \$461,000 was made for adult basic education and skills training. And an investment of \$1.3 million was made into a heavy equipment operator simulator to be used by Northlands College and Northwest Regional College.

Legislative Responsibilities

During the period of April 1, 2006 to March 31, 2007, the Minister of Industry and Resources was responsible for the legislation listed hereunder.

The Crown Minerals Act allows for the leasing of Crown mineral rights and provides the authority to collect royalties on Crown dispositions.

The Economic and Co-operative Development Act encourages the development, diversification and renewal of the Saskatchewan economy. Responsibilities for certain sections of this legislation were assigned to the Minister Responsible for Information Technology and the Minister of Regional Economic and Co-operative Development. Certain sections were jointly assigned to the Minister of Northern Affairs and the Minister of Regional Economic and Co-operative Development.

The Energy and Mines Act provides for the exploration for, development, management and conservation of non-renewable resources and the development, management and conservation of energy.

The Ethanol Fuel Act provides for the production, use and blending of ethanol, including the promotion of a cleaner environment through the use of ethanol.

The Freehold Oil and Gas Production Tax Act provides the authority to tax freehold oil and gas and recovered crude oil in the province.

The Labour-sponsored Venture Capital Corporations Act provides the framework for the Invest in Saskatchewan Program and the issuance of tax credits under the program.

The Mineral Resources Act, 1985 provides for the orderly exploration for, and development, conservation, management, and primary production of, mineral resources in Saskatchewan.

The Mineral Taxation Act, 1983 provides authority to tax mineral production and mineral rights.

The Oil and Gas Conservation Act allows for the orderly exploration for, and development of, oil and gas in the province and optimization of recovery of these resources.

The Pipelines Act, 1998 provides the authority regarding the construction, operation and abandonment of oil, natural gas and other pipelines.

The Reclaimed Industrial Sites Act provides the authority to deal with the long-term consequences of the development and use of industrial sites.

The Tourism Authority Act establishes the Saskatchewan Tourism Authority and sets out its responsibilities for tourism marketing, development, promotion, and other tourism-related activities. Responsibility for *The Tourism Authority Act* has been assigned to the Minister of Culture, Youth and Recreation.

The Minister of Industry and Resources also has joint responsibilities for sections of several other Acts which are required for the purpose of administering certain programs and regulations.

Publications

Saskatchewan Industry and Resources distributed the following publications during the reporting year.

Economic Analysis

- Monthly Economic Indicator Report

Competitiveness Branch

- Information Bulletins (16 titles)

Economic Diversification

- Saskatchewan Manufacturers Guide (on website)

Invest in Saskatchewan Program

(previously the Labour-sponsored Venture Capital Corporations Program (LSVCC))

- Invest in Saskatchewan Employee Funds Type B fact sheet
- Invest in Saskatchewan Pool Funds Type A fact sheet

Canada-Saskatchewan Western Economic Partnership Agreement (WEPA)

- Mandate and criteria

Investment Attraction

- Saskatchewan out-of-province marketing kit
 - Competitive Advantages brochure
 - Sector-specific fact sheets – agricultural biotechnology; agricultural equipment; bio-products and processing; call centres; Canadian Light Source Inc.; cultural industries; electronics and instrumentation; food, crop and beverage processing; forestry; information and communications technologies; life sciences; manufacturing industries; mining; oil and gas; pork production; tourism.
 - Saskatchewan fact sheets – about Saskatchewan, competitive cost advantages, exporting.
 - Saskatchewan Ambassadors Program fact sheet
- Saskatchewan Ambassadors Program kit
 - Fact sheets (all)
 - Competitive Advantages brochure
 - Wallet CD
 - Welcome letter
 - Tips for ambassadors
 - Online ordering information
 - Tourism information
 - Business Unlimited newsletter
- Saskatchewan Connections – online newsletter of the Saskatchewan Ambassadors Program
- Think Saskatchewan – online magazine for Canadian embassies and consulates around the world
- Investors Package (available only upon request)
- Saskatchewan Action Plan for the Economy
- Climate Change:
 - Making it Work: A Saskatchewan Perspective on Climate Change Policy
 - Effects of Climate Change on Agriculture, Forests and Rural Communities

Geological Publications

- 2006 Weekly Drill Activity Report E-mail
- 2006-3: Mineral Statistics Yearbook, 2004
- 2006-4.1: Summary of Investigations 2006, Volume 1 CD-ROM
- 2006-4.2: Summary of Investigations 2006, Volume 2 web post and map package
- 2006-5: Assessment Work Catalogue CD-ROM
- 2006-6: Saskatchewan Mineral Deposits Index CD-ROM
- 2006-7: Geological Atlas of Saskatchewan CD-ROM

Open Files

- 2006-1 to -18: Geophysical series maps, released in conjunction with the Geological Survey of Canada
- 2006-19 and -20: Geophysical series maps (Geikie River and Upper Foster Lake), released in conjunction with the Geological Survey of Canada
- 2006-21 to -32: Residual total magnetic field maps, Deschambault Lake aeromagnetic survey, Saskatchewan, released in conjunction with the Geological Survey of Canada
- 2006-33 to -44: First vertical derivative of the magnetic field maps, Deschambault Lake aeromagnetic survey, Saskatchewan, released in conjunction with the Geological Survey of Canada
- 2006-45: Remote predictive map for the basement to the western Athabasca Basin

Geological Reports

- SIR Report No. 223: Jura-Cretaceous Success Formation and Lower Mannville Group of Saskatchewan

For more information on geological publications, contact:

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2101 Scarth Street
Regina, SK S4P 3V7

Tel: (306) 787-2528
Fax: (306) 787-2488
publicat@ir.gov.sk.ca

Other

- Department annual reports
- Saskatchewan Business Unlimited quarterly magazine (free by subscription)

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